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MONDAY MARCH 16 1998



Corporate universities Working more closely with business schools Inside Track, Page 12



Prosecuting tyrants How to create a world criminal court Page 16



Environmental taxes A good tool but not green magic Page 17

Survey Pharmaceuticals: to merge or not to merge? Separate section

WORLD NEWS

indian president calls on BJP's leader to form coalition government

Atal Behari Vajpayee, veteran leader of India's Bharatiya Janata party, was asked to form a BJP-led coalltion government. The request to the Hindu nationalists from President K.R. Narayanan ended political haggling following the indeterminate outcome of last month's elections. Page 18; PM in waiting, Page 5

Austria stave out of Nato Austria's governing Social Democratic party ruled out membership of Nato for the foreseeable future but will push for close co-operation with the western defence siliance. Page 3

Left confident le French poli . Computer projections of the result of France's regional elections supported the Socialist-led ruling coalition's confidence of success. Page 2

Blair strengthess Utster peace role UK prime minister Tony Blair is set to take an increased personal role in the Northern Ireland peace process as negotiations enter their final stages. Page 7

lemai warne Cook israel said a planned visit by UK foreign secretary Robin Cook to a Jewish settlement at Har Homa in east Jerusalem was unacceptable. Mr. Cook insisted the visit would go

shead. Page 4 Hassan appoints opposition King Hassan of Morocco appointed the first opposition-led government aince the country's independence.

Page 4 Amezon Grelighters sock help Firefighters in Brazil's northern Arnazon appealed for reinforcements in their battle against huge farmland

Thatcher to visit Checkeys Chechen president Asian Maskhadov said former British prime minister Baroness Thatcher would head a fact-finding mission to the separatist Russian region.

BBC recists mutuality The BBC is resisting a suggestion that it should become a mutuallyowned organisation, allowing its 21m licence fee payers a vote on its

board of governors, Page 7

Pr-minister found dead The body of Hugh Coveney, 62, a former Irish Minister for Defence, was recovered from the see off Cork. He had set off for a cliff walk with his

Resour peace hoose sline Efforts to prepare for a peace procass in Spain's Basque region are hampered by sharp differences between political parties. Page 3

Cyaras row settled: The European Union defused a row between France and Greece over Cyprus, allowing negotiations on EU enlargement to start this month. Page 2

Five people were killed and 50 injured when a powerful earthquake measuring 6.4 on the Richter scale,

hit south-east Iran. Strike threat at Breris Pliots of Iberia, Spain's national airline, announced strike action which could undermine government plans to privatise the carrier. Page 3

Turkey said security forces had killed 24 Kurdish rebels in clashes in the country's south-east.

Protest against Belarus leader About 4,000 people marched in Minsk in protest against sweeping powers awarded to Belarus president Alexander Lukashenko.

Bulgarien bishop beatified Bulgarian bishop Vincentius Bossilkov, tortured and executed in 1952, was beatified by the Pope, the first martyr of Stalinism so honoured.

Visit Park

Educ

Currencies, Page 25

BUSINESS NEWS

US stocks may not be overvalued. savs Buffett in annual address

Stocks should not be viewed as overvalued as long as US companies continue to achieve strong return on equity and stable interest rates are maintained, said Warren Buffett, the US investor known as the Sage of Omeha, in his annual letter to shareholders in Berkshire Hathaway, the Investment company.
Page 18; Markets Week, Page 24

Britain is to lodge a formal complaint to the European Commission about large state subsidies paid to the German coal industry. Page 2

Roche, Swiss pharmaceutical group, suffered a fresh setback in its bid to market Xenical, its anti-obesity drug, when US experts changed their views about whether it increased the risk of breast cancer. Page 19

France has been told to strengthen legislation safeguarding the independence of the national central bank or risk not qualifying for economic and monetary union. Page 2

Leveraged buy-cuts in Europe reached record levels in the pest six months, leaving international banks struggling to absorb a mountain of acquisition debt. Page 19

Stora, the Swedish forestry group, is to launch an efficiency drive to help double profits in the next two to three years. Page 21

Heinekes, the world's second-largest brewer, saw its shares surge 7.7 per cent on Friday as it served shareholders a scrip issue and stock solit along with an unexpectedly heady ise in annual profits. Page 22

Michenik, one of Turkey's largest banks, plans to raise some \$120m by selling about 3.5 per cent of its equity to foreign investors. Page 22

Airteurs, one of the UK's largest package holiday companies, is to operate a customer lovalty acheme by offering points which can be

Hermes Pensions Management, UK pension fund manager, and Lans Investment Management, US corporate governance investment group, are to launch the UK's first institutionally backed fund to target underperforming companies. Page 20

The New York Stock Exchange is to approach leading European companies to take part in a pilot study which it hopes will encourage a round-the-clock global marketplace for ordinary shares. Page 23

Brezil, Argentina, Paraguay and Uruguay, has been urged by the international Monetary Fund to reverse last year's increase in its common externai tariff. Page 6 Venezuela's aluminium complex, one

Marcosar, the trade group including

of the world's largest, has been hit by a strike which threatens to drive down the sale price less than a fortnight before privatisation. Page 6

Tomes, one of Japan's leading trading companies, is to reduce the number of its directors by a third over the next two years. Page 22

Australia's government plans to set its remaining two-thirds stake in Telstra, the country's telecoms group worth A\$60bn (\$40.3bn), in one of the world's largest public share

offers. Page 5 Nekomital Strip Mill the Thai steel producer, is to receive an injection of \$650m from foreign investors including financier George Soros. Page 21

Telecom Corp of New Zealand, owned by Ameritech of the US, begins the sale of a 24.9 per cent stake in the company. Page 19

Guif Air made operating profits of \$48m last year following a \$156m loss in 1998. Page 23

The chart shows the member

currencies of the exchange rate

weekest currency to the eviden.

Most of the currencies are per-

the other members of the

in a 2.25 per cent bend.

matted to Suctivate within 15 per

cars of agreed cardial raise against

mechanism. The exceptions are the

D-Mark and the public which come

nechanism measured analyst the

EMS: GRID

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EU steps closer to single currency

The European Union took a critical step towards a single currency this weekend with a surprise revaluation of the Irish punt and the admission of Greece into the Exchange Rate Mecha-

Dominique Strauss-Kahn, French finance minister, said yesterday: "Europe is now ready

The 3 per cent realignment of the Irish punt - agreed by EU finance officials in Brussels on Saturday - was intended to iron out the remaining distortions in Europe's currency grid before on May 1-3. countries fix their bilateral conersion rates in May.

The timing of the drachma's entry into the currency grid also came as a surprise. The Greek

Greece enters ERM and Ireland revalues punt before member states fix conversion rates

mal meeting of EU finance ministers in York, northern England to set a clear political signal of its intention to join Emu on January 1 2001.

The weekend decisions leave ministers in a strong position to make the current central rates in the ERM the bilateral conversion rates under a single currency. This decision is due to be taken at a special summit in Brussels

Charlie McCreevy, the Irish finance minister, said the decision to revalue was not prompted by the drachma's ERM entry. The revaluation will help government has chosen the time Ireland bring its short-term inter-

- a few days ahead of the infor- est rates down toward the Euro- drachma's central rate is around pean average earlier than would otherwise have been the case.

The Irish short-term rate is 6.75 per cent, more than 2 percentage points above German and French rates. Since European economic and monetary union constitutes a single monetary regime, the interest rates of the member countries must converge by the and of this year.

The revaluation brings the central rate of the punt from DM2.41 to DM2.48, close to its current trading levels.

The Greek drachma entered the currency grid at a central perity of Dr357 against the Ecu,

10 per cent below the rate at which the currency closed on Friday in London trading.

The decision paves the way for Greek membership of Emu on January 1 2001, two years after probably ahead of the UK, Sweden and Denmark.

The Greek government expects to meet all qualifying conditions for Emp by the end of 1999, leaving another year to prove that its performance is sustainable.

Greek inflation - once in dou ble digits - reached a low of 4.3 per cent in February. Economists fear, however, that the devaluathe basket of EU currencies. The tion could lead to a short term

rise in inflation because of higher import prices.
The UK and Sweden are now

the only EU member countries outside the ERM, which allows currencies to fluctuate by 15 per cent on each side of a central rate. The UK and Swedish governments oppose entry into the grid on political grounds, a position that is now almost certain to lead to a policy clash with the Emu group, once Britain and Sweden decide to join the single

currency. The Maastricht Treaty, which lavs out criteria for joining the currency, stipulates two years of ERM membership as a precondition for membership of monetary

Reports, Page 2: Editorial Commen Lex, Page 18

Suharto's cabinet choice ignores pleas for reform

President Suharto of Indonesia appointed his eldest daughter, his golfing partner and top officials linked to family business interests to a new cabinet at the weekend, ignoring urgent calls for reform from world leaders and

the International Monetary Fund. Yesterday Ryutaro Hashimoto, the Japanese prime minister, urged him to take "courageous decisions" to reform his country's crisis-hit economy.

Mr Hashimoto emerged from more than two hours of "candid" u presiabout the economic difficulties facing the country and calling on Mr Suharto to stand by his agree-

Officials from the fund arrived continuing talks on implementing the reform programme agreed in exchange for a \$40bn financial

cabinet is likely to undermine Subarto's family business the IMF's efforts to ensure that

must decide whether to release a second \$3bn tranche and open the way for further help from the World Bank, Asian Development Bank and donor nations.

Mr Suharto on Saturday appointed his daughter Siti Hardiyanti Rukmana as social affairs minister and handed the ministry of trade and industry to Bob Hasen, his business associate and golf partner. Mrs Siti runs a sprawling con-

glomerate which had one of its power projects cancelled at the urging of the IMF. It would be likely to lose contracts for other dent, expressing deep concern rules to enforce fair public tenders were introduced. Mr Hasan runs a timber and

trading emptre that was targeted ments, including his deal with by the IMF for its dominance of the forestry industry. The new finance minister,

in Jakartz over the weekend for Fuad Bawazier, was previously director-general of the tax service. He is also treasurer of another presidential foundation rescue package.

But the drastic shake-up of the banks that lent heavily to Mr

in the reshuffle Mr Suharto the reform package agreed in gave B.J. Habibie, his controver-January is put in place. The fund sial new vice-president, unprece-



President Subarto greats Mr Hashimoto at the presidential residence in Jakarta. Picture Rauters

nomic Co-operation.

organisations such as the Associ-omy, finance and development.

please the IMF and foreign inves-Ginanjar Kartasasmita, the tors. Tanri Abeng, a respected chairman of the National Development Planning Agency and a new ministry for restructuring Lax, Page 18

dented influence in foreign long-standing opponent of mar-affairs. He has been put in charge ket liberalisation, was also made Ali Alatas, popular with diploof relations with multilateral co-ordinating minister for econ- mats, receives a third term as foreign minister; and General ation of South East Asian However, these appointments Wiranto a well-liked chief of the Nations and Asia Pacific Eco- overshadow others that may armed forces, is appointed minister of defence.

Mahathir names adviser, Paga 5

Investors bet on 'millennium fly'

By Simon Davies Capital Markets Editor

US hedge funds have taken substantial bets in the financial system on January 1 2000, forcing interest rates higher.

Futures brokers said there had een heavy selling of December 1999 futures contracts in US and German interest rates, in a financial transaction nicknamed the millennium fly. A trader in New York said more than \$5bn of contracts had been sold.

driving up bond short-term interest rates. This would substantially reduce the value of any straddle the beginning of 2000. The millennium bomb has a very short-term profit.

arisen because many computers will be unable to recognise the grams after midnight on Decemowing to consultancy fees that in a time of uncertainty." could come from sorting out computing problems.

so-called butterfly spread, where viding more time to resolve any the investor sells December 1999 contracts, and buys September 1999 and March 2000 contracts. Milensium 'bomb' clauses, Page 7

This would be highly profitable if short-term interest rates rise and March 2000, when the 3-month interest rate agreement markets that the millennium expires. The activity has all been bomb will paralyse the banking concentrated in Eurodollar and Euromark contracts, which are based on US and German interest rates. However, brokers suggested that investors might take positions in bond futures

One trader said: "In December 1999, money could become very expensive. People will be out partying for the millennium, These investors believe that computers could be breaking computer problems will cause down, and so there could be a significant financial disruption, scramble for cash. This would be made worse if the bomb has a broader economic impact." Other investors suggested that

interest rate contracts that the hedge funds were scaremongering in the hope of making

Thomas Juterbock, head of US and European government bond year 2000. This could disable pro- trading at Morgan Stanley, said: "It is very hard to discount ber 31 1999. So far, the millen- events that far out. Besides, the nium bomb has had a limited market probably hasn't thought impact on financial markets. It enough about what the Central has driven up the price of some Bank response to this will be, information technology stocks, which will be to provide liquidity

He said that there would probably be an additional bank holiday The millennium fly is a over the millennium period, prodifficulties.

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Merger of

General Accident

Commercial Union

to form

CGU

Morgan Stanley & Co. Limited ("Morgan Stanley") announces on behalf of Commercial Union ple ("Commercial Union") that, by means of a merger offer document (the "Merger Offer Document") dated and despatched on 13 March 1998, Morgan Stanley has made an offer (the "Merger Offer") on behalf of and despatched on 13 March 1998, Morgan Stanley has made an offer (the "Merger Offer") on behalf of Commercial Union to acquire all the ordinary shares of 25 pence each in General Accident plc ("General Accident") in issue, other than those which Commercial Union already owns, or issued prior to the date on which the Merger Offer closes (or such earlier date, not being earlier than the date on which the Merger Offer becomes unconditional as to acceptances, or, if later, the first closing date of the Merger Offer, as Commercial Union and General Accident may decide) (together the "General Accident shares"). The full terms and conditions of the Merger Offer (including details of how the Merger Offer may be accepted) are set out in the Merger Offer Document and the accompanying Form of Acceptance. General Accident shareholders who accept the Merger Offer may only on the Merger Offer Document and the Ecom of Acceptance for all the terms and conditions of the Merger Offer. Document and the Form of Acceptance for all the terms and conditions of the Merger Offer.

General Accident shareholders who accept the Merger Offer will receive, for every 1,080 General Accident shares, 1,233 ordinary shares of 25 pence each in the capital of Commercial Union (to be renamed CGU pic) and so in proportion for any other number of General Accident shares held. The Merger Offer extends to all persons to whom the Merger Offer Document may not be despetched

who hold, or who are entitled to have allotted to them, General Accident shares. Such persons are informed that copies of the Merger Offer Document and Form of Acceptance, together with the related listing particulars, are available for collection from Lloyds Bank Registrars, The Causeway, related using particulars, are available an considerate transfer Antholin House, 71 Queen Street,

The Merger Offer will initially be open for acceptance until 3.00 p.m. on 3 April 1998

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Dated: 16 March 1998

countries such as Hungary

settle differences with their

The 1995 deal involved

Greece was to lift its veto on

German

subsidies

attacked

by UK

By Andrew Taylor, Utilities Correspondent

The British government is to

lodge a formal complaint to

the European Commission

about large state subsidies paid to the German coal industry.

The move would mark an intensification of the British campaign against unfair competition from subsidised

continental European coal

The British government is currently restricting construction of new gas fired

power stations in the UK

while it conducts a review of

power station fuel policy to

offset the threat of further

domestic pit closures. It has already lodged a for-

mal protest against state

assistance to the Spanish

coal industry which it says

has prevented British com-

panies from entering the

John Battle, energy minis-

ter, said: "British mines

whose production costs can

be one third of continental

European costs, face closure

due to a lack of markets

while heavily subsidised

mines, particularly in Ger-

huge demonstrations in

Bonn decided to remove the

subsidies, expected to total DM9.25bn (\$5.2bn) this year,

at a slower rate than previ-

given by the German,

French and Spanish govern-

ments to their coal indus-

RAG, the large mining and

energy group which owns

Ruhrkohle, is paying just DM1 (55 US cents) for Saar-

bergwerke owned jointly by

the federal government and

the region of Saarland.

There is concerned that the

deal should not provide hid-

den subsidies to the merged

the commission to continue

its investigation into subsi-

dies paid to German anthra-

cite producers exporting to

Celtic Energy, the south

GERMANN:
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FRANCE:

SWEDEN:

Mr Battle has also urged

coal business.

The Commission has still to approve state subsidies

ously announced.

tries during 1997.

operate.

producers.

coal

allowing negotiations on enlargement to start at the end of this month. The row - between France and Greece - centred on whether to pursue talks on membership with Cyprus in

The European Union has

defused a row over Cyprus,

the absence of a political settlement between Greeks and Turks on the divided island. a meeting of EU foreign min- now ready to take the "his- has been irritated that Ecu375m (\$416m) financial

Greek side on notice that enlargement Cyprus cannot expect automatic entry into the Union.

The agreement involves minor changes to a declaration which the British presidency plans to make at the opening of accession negotiations on March 31 with Cyprus, the Czech republic, Hungary, Poland, Estonia

Robin Cook, UK foreign secretary who chaired the A compromise reached at meeting, said the Union was

Pailure to agree on a text kered deal reached in 1995 could have delayed the and that the Greek Cypriots enlargement process, trigger - unlike central European ing a political crisis in the Union.

During the meeting. Hubert Vedrine, French foreign minister, pressed hard for tough language warning that the EU negotiations with Cyprus could be suspended without progress on a political settlement.

 EU-Turkey customs union. Athens did so, but then President Jacques Chirac blocked an accompanying

Mr Vedrine had to accept a Cyprus's EU negotiations said that it was undesirable and a UN-brokered settleand Romania - has failed to ment. But Greece had to the Union. accept that the European Commission will make regular reports to ministers on Cyprus receiving a chance to all six accession negotiations join the EU. In return. - an implicit threat that the Cyprus talks could be

> Mr Cook said that the opening of accession negotia-

on its side of the French-broof a territorial dispute in the line unitality along. In the line unitality and the unitality along in the line unitality along in the line unitality and line unitality along in the line unitality This will present Rauf Deaktash, the Turkish Cyp-Kinkel. German foreign minister, and Mr Vedrine both

to bring a divided island into Jacques Santer, president of the European Commisaccession negotiations would involve "screening" the degree to which Cyprus has adopted EU legislation. This

Greek Cypriot south of the

riot leader, with a dilemma since he has so far refused the Greek Cypriot offer to take part in a joint delegation in the accession talks,

Letting EU officials sion, said the first phase of inspect his books would implicate him in the enlargement process, but barring access would increase the impression in Europe that he would apply not only to the is the biggest obstacle to a

Socialists set for gains in regions

By Robert Graham in Paris

France's nine-month-old swing to the left. But overall Socialist-led ruling coalition last night looked set to strengthen its hold on the country's 22 home regions and four overseas territories, but not as convincingly as predicted by the opinion

According to exit polls, the three main parties in the government - Socialists, Communists and Greens would obtain 35 per cent of the vote, compared with the tics. figure of approximately 40 per cent forecast by opinion polls in the run-up to yesterday's election.

many and Spain continues to The exit polls indicated Calls for an investigation the coalition parties had won tion parties. into German state subsidies five regions outright. whereas the rightwing oppowould embarrass Chancellor sition parties were only assured of clear victories in Kohl's administration which last year faced serious industrial unrest over proposals to cut coal subsidies and close three regions. After the 1992 regional election, the right controlled 20 of the 22 home The government following

the result, following a low turnout, seemed set to be much closer than expected. The hard-right National Front did well, according to the exit polls, with almost 15

the other parties of the right were given 30 per cent. Early commentaries last night said voters appeared to have been influenced more by local than national poli-

per cent of the vote, whereas

small splinter parties on the left - hardline Communists and Greens - wooed voters away from the ruling coali-Commentators predicted

that the actual abstention rate would be nearer 40 per cent, unusually high for

The main rightwing parduring the campaign they

This time a further seven had recovered their morale regions looked likely to and unity nine months after their general election debacle. They also were unable to exploit any issue that might undermine the popularity of the government.

This left the field free to the National Front led by Jean-Marie Le Pen. Campaign polls gave the NF as high as 16 per cent. But given the favourable climate for it, Mr Le Pen needed to show the party's support continued to expand.

The campaign itself excited little public enthusiasm. The regions have only existed since 1982 as administrative entities and have relatively small budgets compared with the municipalities and departments with which voters identify much more. Early reports from the polling stations showed the abstention rate likely to be higher than 31 ties failed to demonstrate per cent recorded at the previous regional elections.



talks to the mayor of Sarran, Michel Poincheval, after voting in regional elections. Picture AP

BANQUE DE FRANCE REPORTS SAY STRONGER INDEPENDENCE SAFEGUARDS NEEDED TO TACKLE PRICE STABILITY THREATS

DRACHMA DEVALUED REFORM TIED TO ERM BID

speeds sell-off

yesterday

Paris warned on central bank powers Greece cuts

France has been warned that it must strengthen legisla-In a separate move the UK tion safeguarding the indegovernment has written to pendence of the national form the basis on which EU the commission raising central bank or risk not British concerns about the proposed consolidation of qualifying for economic and monetary union.

the German coal mining The European Commission sider the financial arrange- Institute - forerunner of the ments of the merger between Ruhrkohle Bergbau, Saarbergwerke and Preussag Anthrazit into a single German coal mining company on Emu next week. Deutsche Steinkohle.

pean Union have complied day. with the Maastricht treaty's Ur conditions for entry into the single currency. They will leaders select the founding members of Emu on May 2.

ernment in Paris has and the European Monetary pledged to plug the gap on bility was mentioned in the tional Court. European Central Bank - Banque de France, most ment economic polic have issued the warnings, likely early next month. But which are likely to be ministers have signalled that that France was not at pres- ments in legislation to gium, views the informal repeated in two key reports they want to delay debate in ent in compliance with the ensure France joins Ger- grouping as a political The twin reports will after the French regional ready for the euro. "This is Emu.

price stability their overriding policy goal. But in early to avoid giving succour to 1994, when Banque de the opponents of Emu in The leftwing coalition gov- France gained its indepen- Germany who have mounted dence, the goal of price sta- a challenge in the Constituthe independence of the overall framework of govern-

the National Assembly until treaty and therefore not many as core members of assess the degree to which elections, the first round not fudgeable. It is a serious Some French ministers are Bank in Frankfurt.

officials involved in the said. sensitive to charges that Conflictals involved in the similar countdown to the similar countdown to the similar ing inflation at the expense of which took place yester- legal matter." he said. sensitive to charges that Under the Maastricht final countdown to the sining inflation at the expense treaty, all national central gle currency insist that the of growth and jobs, and that banks have pledged to make Maastricht treaty must be policy-making is dominated applied to the letter in order by central bankers on the German model.

says that it is committed i

This explains the campaign by Dominique Strauss-Kahn, economics minister, for the creation of a Euro-X The French government club for future members of ne single currency A senior EU official said make all necessary amend- France, supported by Belcounterweight to the independent European Central

For the powerful farming

decrease the Irish pound

value of farm subsidies from

Brussels, which are calcu-

Con Lucey, chief econo-

mist at Irish Farmers Associ-

ation, said that going into

Emu at DM2.50 might cut the value of farm support by

Mr McCreevy described it

resents a brave decision for

majority of just one seat in

l£100m (\$140m) a year.

accounting currency unit.

package tied to the drachma's entry to Europe's Exchange Rate Mechanism.

devalued by 13.8 per cent on between the government and the EU monetary committee. The central exchange rate was set at Dr375 to the Ecu.

government

offset the effects of devaluation on the inflation rate and budget deficit, and ensure that Greece meets the qualifying criteria to join the single currency on January 1 2001.

Yannos Papantoniou, economy minister, said in an interview yesterday: "The adjustment of the drachma's exchange rate is at the level we were seeking - large enough to bring a significant improvement in competitiveness but not so large as inflation."

the adjustment in the drachma's value and the government's decision that it should join the ERM months earlier than the date required under single currency rules.

"It was a correct political choice," said a Greek hanker. "The currency was overvalued and adjustment was inevitable. But joining the ERM should give Greece a bit more said. credibility with the markets."

After falling to 4.3 per cent in February, inflation is expected to jump by 1 to 1.5 percentage points in the next two months as a result of higher prices for fuel and other imported goods. Mr Papantoniou said the government's year-end inflation target of 2.5 per cent "is a matter of concern, but I think it can still be reached".

Mr Papantoniou said public spending would be reduced by cutting subsidies to state-controlled reforms." Mr Papantoniou enterprises and by using said. private sector financing to complete several infra- on the economy ministry.

about one percentage point Socialist of gross domestic product, would ensure that Greec announced cuts in public can meet this year's budget spending and a speed-up of deficit target of 2.4 per cent privatisation, in a reform of GDP and reduce the deficit to 2.1 per cent of

GDP. Mr Papantoniou said the The drachma was government intended to maintain its restrictive Saturday under the ERM wages policy and would entry terms agreed at appeal to private sector negotiations in Brussels employers not to exceed this year's 2.5 per cent ceiling on increases for public sector workers.

The reform package and The package is intended to devaluation came under attack yesterday from Greece's Confederation of Trade Unions, which demanded adjustments in the collective wage agreement currently under negotiation. The broadening

'It was a correct political choice. Joining the ERM should give to cause a big jump in Greece a bit more Analysis welcomed both Credibility with the markets'

> of privatisation may also bring confrontations with unions at state enterprises slated for disposal. The reforms would not include job cuts, but transfers and early

retirements of workers at state enterprises would be stepped up, Mr Papantoniou

The privatisation law is being revised to permit 100 per cent of equity in state-controlled banks and 49 per cent of state utilities to be sold through the Athens stock exchange. Three banks and 10 profitable state enterprises are to be disposed of this year.

A third tranche of OTE, the partly privatised state telecoms operator, amounting to 15-20 per cent, will be

offered for sale this year. "The main worry will be the pace at which we can

Cuts in health and welfare at several levels of but needs a concerted effort spending are also planned. government."

POLICY TOWARDS EU THE PUNT'S EXCHANGE RATE MECHANISM MID-RATE HAS BEEN MOVED INTO LINE WITH THE MARKET Irish 'judgment call' on revaluation

in Doblin

Charlie McCreevy, Ireland's finance minister, will be enjoying a well earned break today, putting his money on a few horses at the opening day of the Cheltenham festi-Wales coal company, is understood to have to with-

The 3 per cent punt revaldraw its original complaint uation to DM2.48, announced to the commission after on Saturday after a meeting receiving compensation thought to be worth about £5m (\$8.2m) - from German monetary committee, will coal producers Preussag Anthrazit and Sophia not affect the money in his or any other Irish racegoer's pocket. The move merely Mr Battle said: "The UK brings the Irish pound's midrate in the Exchange Rate Friday at 2.50. government is anxious that Mechanism into line with its prevailing market rate.

the commission reaches an early legal decision on these matters to provide a clear framework for a level FRANCIAL TUMES
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GERMANY:

day adamant that the decision was taken at Ireland's revaluation of the currency with its recent market rate," request, and was not tripgered by Greece's decision to

re-enter the ERM, or by pressure from its EU partners. Yet for months, Ireland's predicament has been a

talking point among EU finance ministers with its market rate out of step with its ERM mid-rate - which most economists think will be the benchmark for currencies entering European Economic and Monetary Union. Last September the of the European Union's punt was trading at DM2.70 against a mid-rate of DM2.41, but in recent weeks as speculation of a revaluation faded, the currency has fallen sharply, and closed on any threat to our economic

With the economy growing at 8 per cent, with the bud- dent course of action is to get showing a surplus for could be argued on economic Mr McCreevy said in a state-

The central bank has been privately urging the govern- as much political. There ford, a leading Irish dairy ment to consider a revalua-tion. It was concerned at the ty of the three-year wage same inflationary fears were inflationary consequences if pact agreed in 1996 - which raised when the Irish pound the currency were to go in at envisages annual wage was devalued in 1993. DM2.41, necessitating a oneoff depreciation, which could raise the cost of imports with the knock-on effect on

prices. Mr McCreevy's only official comment on the decibank's concerns. "I am keen to ensure that we take timely action to prevent inflationary risk from posing stability. I have therefore Mr McCreevy had to balance decided that the most prubring the central rate of the

But his concerns were just ager of Avonmore Waterincreases of 2.5 per cent. Union leaders warned it lobby, a revaluation will could be undermined if inflation inched up.

The central bank said earlier this month that the lated in Ecus, the EU's depreciation of the Irish sion echoed the central pound was putting upward pressure on prices. and Ireland could exceed its target of 2.5 per cent in 1998 without remedial steps. Against the inflation fears,

the advice of the export as "a judgment call". It replobby which argued Irish business could be exposed to a coalition government a future sterling devaluation which after the loss of two if it was to lock into Emu at by elections last week has a a higher rate.

ERM central exchange rates Elizional contral rates effective from March 15 1998.

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French form:	18.2008	27.6157	255,245	1.85706	3.00207	100.00	8.22(60)	2,567/3	287.801	32718	47.8704	110.33
krists Post	1.95232	10,5567	40.2976	0.223038	0.472235	12,000	1.0000	0.406743	36,7302	6.20001	1,729-7	13.24
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Solider	5,46286	29,5386	112.674	9.924997	1,2245	33.8991	2.79812	1.53912	100.06	1,0962	10.058	37,003
Escudo	496.964	2907.51	10290.5	58-7765	120,492	3009-34	3UE	102.541	9007.93	100,00	. 5468.87	3171.20
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Marida	14.73(1	79,5676	304,003	1,00302	1936	34.00	7.54001	1MP1	201.304	2.967	Q.2004	100.00
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European



SPANISH SEPARATISM DIVISIONS OVER NEW INITIATIVE AS MADRID REJECTS TALKS WITH POLITICAL WING OF ETA

Cracks in Basque peace efforts

By David White in Madrid

Efforts to prepare the way for a peace process in Spain's Basque region are set for an unpromising start this week, with sharp differences between political parties on the scope of any negotiations.

A meeting of non-extremist parties in the region tomorrow is due to discuss proposals by José Antonio Ardanza, the Basque president. The latest fine-tuned text of his plan was sent to parties last week. It rules out direct political talks with Eta, the outlawed organisation which has killed almost 800 people in the last 30

It also sets an indefinite "cessation of hostilities" by

That pushed new car sales in

the first two months of 1998

almost 10 per cent above the

vear, according to prelimi-

nary figures from the Euro-

pean Automobile Manufac-

turers' Association (ACEA).

demand may lead to upward

revision of the 1-2 per cent

consensus forecast for

growth in car sales this year.

In February, sales rose in 14

of the 17 countries moni-

The ammunition will come

Europe's biggest car market - and the continuing

strength of sales in Spain

tored by ACEA.

The unexpectedly buoyant

the terrorists as a precondi-party and its Socialist oppotion for peace talks, which sition. The Madrid governwould be held with Eta's ment rejects the idea of a political arm, Herri Bata-

More controversially, it stipulates that there should be no limits for the talks, and that any agreement reached by party leaders in the region should be accepted by the Madrid gov-

The Basque Nationalist party (PNV), which heads the regional government, can count on support for the plan from other regionally-based parties as well as the Communist-led United Left. But the proposals risk driving a wedge between

national parties, Spain's gov-

France showed a gradual

recovery from last year's

weakness after the termina-

Roberto Testore, chairman

of Fiat Auto, expects west-

rise 2 per cent this year to

13.5m units. Although the

growth in Italy, last year's

single strongest market, will

slow as government incen-

tives are reduced, he still

expects domestic sales to fall

to 2.2m. That is "still well

above the generally accepted

'normal' figure of around 2m

cars a year", he says. Louis Schweitzer, the Ren-

ault chairman, more cau-

tiously predicts a rise of just

1 per cent for 1998. However,

he admits the quality of this

year's figures will be higher,

as 1998 will be "a real mar-

ket and not a government-

supported one". He expects

February's sales figures

confirmed the strong show-

depressed level for 1997.

corresponding period last by only about 200,000 units

from last month's 7.9 per sales in France to climb by

cent rise in Germany - 10 per cent above the

and the UK. Sales in Italy ing by Japanese and South

also grew on the back of the Korean carmakers already

government's continuing seen the previous month.

tion of a incentive scheme.

negotiated end to violence in current circumstances as "political fiction". It opposes talks with Herri Batasuna, saying the organisation is incapable of breaking its links with Eta.

The Socialists, part of a PNV-led coalition in the Basque region, are more sympathetic but have reservations about the details of the plan and its timing, with Basque regional elections looming in October. The Socialists and the

TOTAL MARKET

MANUFACTURERS:

Volkswagen group - Volkswagen

- Audi - Seet - Skoda*

Flat group##

- Alfa Romeo PSA Paugeot Citros:
- Paugeot
- Citrosn

Ford group#

Renault BMW group BMW

Mazda

Total Koreen

MARKETS:

- Jaguar General Motoral

PNV have warned of the risk that tomorrow's meeting might open a damaging pubthem and the two main lic breach in the common national parties, Spain's gov-erning centre-right Popular have tried to maintain

398,589 231,792

34,086 33,063 285,839 164,879

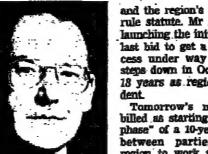
266,527 4,344 267,956 255,031 11,234 241,977

129,397 86,065 63,331

88,975 43,071

31,179 275,913

409,200



against terrorist violence The PNV has attempted at the last minute to calm fears that the "no limits" plan might call into question the terms of Spain's constitution

Volume Share (%) Share (%) Change(%) Jun-Feb 18 Jan-Fab 17

100.0

20.5 17.1 11.5 6.7

+10.4

+52 +0.1 +2.3 +18.2 +52.9 +5.9 +24.6 +82.6 +18.2 +17.3 +19.4 +11.4 +11.4

and the region's 1979 homerule statute. Mr Ardanza is launching the initiative as a last bid to get a peace process under way before he steps down in October after 18 years as regional presiAustria

to rule

entry

out Nato

Austria's governing Social

Democratic party has ruled

the foreseeable future but

will push for close co-opera-

tion with the western

defence alliance and for a

strengthening of a European

security policy within the

"A European foreign and security policy is our central

aim." said Viktor Klima,

Austria's chancellor and the

party chairman. "Joining the

Atlantic military pact would fall short of that goal and

can therefore not be recom-

mended." A government report on the decision, made

last week, will be published

The coalition partner, the conservative People's party,

reacted angrily and threat-

ened to boycott the planned

joint paper. "There has to be a clear signal towards the

West European Union [the

European Union's fledgling

defence arm) and Nato," said

Werner Fasslabend, defence minister. Without it, there

is no use in having a report

The People's party has

pushed strongly for Nato

membership over the past

two years. Its chairman,

Wolfgang Schüssel, foreign

minister, argued that Aus-

tria's traditional policy of

neutrality had lost its pur-

pose with the end of the cold

war and the forthcoming

entry of former East Euro-

When Hungary, Poland

The government report is,

pean countries into Nato.

European Union.

later this month.

at all."

Tomorrow's meeting is billed as starting a "second phase" of a 10-year-old pact between parties in the region to work together to try to end violence. Mr Ardanza, who believes Eta might be ready to call a ceasefire, is disappointed by Spain's failure in recent years to build a consensus similar to that of the main UK parties on the Northern Ireland peace process.

He is hopeful that his approach will be accepted by

Turkey's generals warn PM

Turkey's powerful military has sharply criticised Mesut Yilmaz, the prime minister, for saying generals were

Mr Yilmsz, who took office nine months ago after an army-led "soft coup" against the Islamist coalition of Necmettin Erbakan, has upset the secularist military by refusing to impose curbs on Islamists. He appeared sympathetic to protests by women students over being barred from universities because they wore headscarves. Last week Mr Yilmaz obliquely criticised the generals by saying "I am warning everyone... the fight against fundamental-

By John Barham la Ankara

interfering in politics.

Hurriyet, one of Turkey's mass-circulation newspa-pers, quoted an unidentified senior officer as saying: "No one in the Turkish Armed Forces has a coup in mind. The subject does not even come up in our conversations.'

and the Czech Republic become full Nato members next year, Austria will be surrounded on three sides by the alliance, Mr Schüssel said. Staying out of Nato might be the slightly cheaper option, but would make the country a free rider in security. however, expected to move Austria's defence policy away from neutrality towards closer co-operation ism is a joint, state strug- with European security **NEWS DIGEST**

PILOTS' THREAT

Iberia strike action could hit privatisation plans

The pilots of Iberia, Spain's national airline, have announced strike action which could undermine government plans to privatise the carrier and sell minority stakes

to British Airways and American Airlines. Sepla, the union representing the carrier's 1,300 pilots, said its members would strike for 39 days between March 27 and July 31. The strike days are concentrated on Fridays, Mondays and public holidays and will consist of sixhour stoppages starting at 8am and 4pm that will in effect ground the airline.

The dispute centres on management plans to hire aircraft and crews from a rivel airline, Air Europa, to boost productivity on Iberia's international and domestic routes. Iberia reached a commercial agreement with Air Europa in January to hire 20 of its rival's aircraft and 150 of its pilots. The step was an interim measure to meet increasing pas-

senger demand.

Sepla claims the management wants to peg the salary levels of its members to Air Europa wages. The union said its members earned an average Ptal?m-Ptal8m (\$113,000-the salary the symptom calls). \$120,000) a year. Iberia management says the average salary of its pilot wages is Pta24m, while Air Europa's pilots, who fly more hours than Iberia's, earn Pta13m-Pta14m. Iberia's agreement with Air Europa seeks to stem a falling market share on all its routes due to increased competition from other airlines. Tom Burns, Madrid

SPANISH DEMAND

'35-hour week by 2000'

Spain's powerful General Workers' Union (UGT) has toughened its campaign for a 35-hour working week, demanding a French-style law to impose the measure in the year 2000. By setting a deadline for "the beginning of the 21st century" the union body, which is traditionally linked to the Socialist party, has gone further than Spain's other main labour federation, Workers' Commissions. At a congress which ended at the weekend, it set out to work jointly with Workers' Commissions to achieve the reduction, which would be without loss of salary. Spain's Socialists echoed their French counterparts last summer by establishing a 35-hour target in a bid to broaden their support on the left. But they emphasised that the move from 40 hours should be gradual and should not be allowed to damage competitiveness or productivity. Joaquin Almunia, the Socialist leader and former labour minister, opposes enforcing the cut through legislation and favours a negotiated agreement instead. David White, Madrid

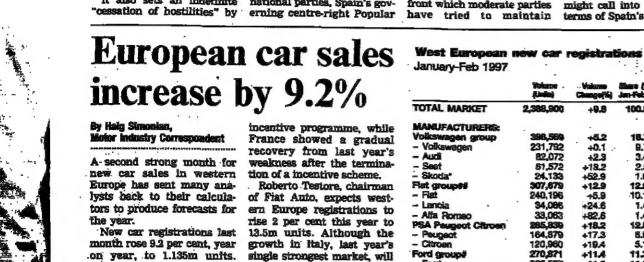
RUSSIAN PRESIDENT

Yeltsin 'has cold'

Russian President Boris Yeltsin was well enough to eat meals with his family and is suffering from nothing more serious than a common cold, a member of the Yeltsin family said at the weekend.

Mr Yeltsin cancelled his appointments on Friday, suffering from what officials said was an "acute respiratory

The announcement set off fresh worries about his health, an issue which has haunted politics since his heart attack in 1996. Chrystia Freeland, Moscow



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The second secon Invest with people whose global vision gives chients a brighter future. Go ahead with AXA our plans. Go ahead with AXA AXA is a world leader in insurance and vent, marriaging S 500 billion in assets. We provide a broad range of financial services around be to each of the 50 countries where we are present, our mission is the same. To help people Better future. Our worldwide experience of cultures and economies gives us unique

King Hassan brings in opposition

By Roula Khalat, Middle East correspondent

Morocco's King Hassan at the weekend appointed the first opposition-led government since the country's independence, but the palace retained key aides in crucial

Led by 73-year-old Aberrahmane Youssoufi, leader of the Union Socialiste des Forces Populaires, the new government has seven parties in a coalition, with the opposition bloc - headed by the USFP and the nationalist Istiqlal party - taking the lion's share of posts.

The interior ministry. which enjoys wide-ranging. powers and controls local governments, remains in the hands of Driss Basri, the king's trusted adviser. Abdellatif Filali, the incumbent prime minister, is also staying on as foreign minister, at a time when the fate of the Western Sahara, where Morocco claims sovereignty while the Polisario Front seeks independence. could be coming to a head with a referendum planned

for the end of the year. The king signalled several the opposition into the government. But in elections last November no bloc emerged as the winner. The USFP, which came out as the single biggest party, won just 57 seats in the 325-memopposition bloc 102 seats against 100 for pro-govern-ment parties and 97 for the centre. Meanwhile, elections for the upper house - which government, as can the king ended with a centre and pro-government majority.

Following the opposition's complaints of vote-buying elections, and criticism that the poll had dashed hopes government for the first

weekend that the cabinet sector.

would focus on the three issues of the Western Sahara, employment and improving social conditions. His government takes over at a time of rising frustrations and unprecedented expectations, with an urban unemployment rate of 16 per cent, widespread illiteracy and a population waiting to reap the fruits of Morocco's macro-economic stabilisa-

"There is an extraordinary wind of optimism in Morocco, and this can be dangerous," said an analyst with close ties to the USFP. With governments since the early 1990s seen as transi tory, many Moroccans have been waiting for a stable and representative cabinet to tackle the country's problems. Analysts noted that both the palace and secular opposition have an interest in the success of the new government, to avoid letting in the Islamist opposition. now only marginally repre sented in parliament.

Financial analysts in Case blanca said the opposition parties would now face the challenge of honouring commitments to social issues years ago his desire to bring while keeping the budget under control. Foreign investors will be closely watching for the new government to tackle corruption and Morocco's huge and inefficient

The opposition will control bar lower house and the the economic portfolios but will maintain the line set down the king's market-reform orientation.

The USFP's Fathallah Oualalou, a respected econocan force the resignation of a mist, becomes finance and economy minister, while the privatisation portfolio is handed to the Istiqlal's Rachid Filali.

Senior officials in the curand irregularities during the rent government said they expected privatisation. which has recently faced setfor change, the king gave the backs, to remain a pillar of USFP the chance to form a economic reform, with the government this year launching the privatisation Mr Youssoufi said at the of the telecommunications

3) Net income per GDR is computed by multiplying net income per share by 10, which is the number of shares per GDR.

(4) The translation of Rupinh into US dollars has been made at Ro 4,650 = US\$ 1 solely for the convenience of the reader and does not form part of the consolidated finance.



Robin Cook brushed aside Israeli protest Picture Reuters

HAR HOMA NETANYAHU SAYS TRIP TO NEW SETTLEMENT IN JERUSALEM IS "UNACCEPTABLE" Cook warned on Israel visit

The Israeli government yesterday said plans by Robin Cook, UK foreign secretary, to visit the site of a new Jewish settlement at Har Homa in east Jerusalem were unacceptable.

A statement issued after a cabinet meeting said the Prime Minister (Beniamin Netanyahul said the visit of the British Secretary to Har Homa is unacceptable to the Israeli government."

However, the statement fell short of saying Mr Netanyahu, also acting foreign minister following the resignation three months of David Levy, would not meet Mr Cook.

The Israeli government has always claimed it could

Jerusalem and that the capital is an undivided city. But has not recognised Israel's EU foreign ministers were the international community claim to full sovereignty over Jerusalem. Its future status is supposed to be left until a final settlement between Israel and the Pales-

The cabinet statement was issued on the eve of Mr Cook's three-day visit to the Middle East, designed to make a greater European Union contribution to the peace process and to retarget EU aid more effectively on the Palestinians. Earlier, after a meeting of EU foreign ministers on Saturday in Edinburgh, Mr Cook brushed aside an Israeli protest at his plan tomorrow to visit Har

build where ever it liked in his six-nation swing around the Middle East in his capacity as the current president of the EU, said his 14 fellow unanimous that "we should make clear that we do not support expansion of settlements and I should make that clear in the course of my visit by visiting Har

> Homa Mr Cook said he hoped that the EU - the biggest aid donor to the Palestinians would henceforth focus its assistance on trying to improve access for Palestinian goods to reach the outside world, particularly through the planned Gaza air and sea ports. He emphasised that Europe was not trying to upstage the US in the peace process.

Mr Cook said last night Mr Cook, who is making the main purpose of his trip

was to "stress the importance Europe places on a positive resonse" to a peace initiative which Washington is due to make "in the very near future". He added that he had been in close touch with Madeleine Albright, US secretary of state.

Avi Machlis adds from Jerusalem: A senior Israeli minister at the weekend tabled a new proposal for an Israeli troop withdrawal from occupied south Lebanon in an apparent attempt to try to keep the initiative in Israel's hands. Ariel Sharon, infrastructures minister, proposed a staged unilateral Israeli troop withdrawal.

The statement came as Syrian and Lebanese leaders discussed Israeli offers for a pullout in exchange for security guarantees at a weekend summit in Damascus.

Developing countries urged to update phone rates

Developing countries must accept the need for reform of the way the costs of international phone calls are shared between operators and join the move to competitive and globalised telecoms markets, according to the International Telecommunication

In a background document policy forum, which begins today in Geneva, the 188-

Nations agency, says the old accounting-rate system is heading for "the scrap heap" under the pressure of vigorous competition and new technologies such as callback, refiling (re-origination) and internet telephony. Developing countries,

which currently receive a net \$10bn a year from national calls, which often accounting rates, face losing prepared for the second a valuable source of foreign world telecommunication exchange earnings for improving their telecoms system administered by the systems, subsidising domes- ITU. Originally devised over

tic customers and paying for other government services. But the ITU says the benefits of liberalisation, including increased foreign private investment, outweigh the costs of trying to maintain an outdated system that is increasingly being bypassed

by cheaper alternatives. Accounting rates for interbear little relation to cost. are agreed bilaterally between operators under a

130 years ago for international telegraph traffic, the system worked reasonably well in an environment of state-owned telecoms markets under a World monopolies and balanced traffic between countries. However, the situation is

changing rapidly. The ITU notes that the proportion of to-end" services over their international telephone traffic open to competition has more than doubled from 35 per cent in 1990 to 74 per cent today and is predicted to rise to 85 per cent by 2005.

senting over 90 per cent of the global telecoms market have pledged to allow foreign operators into their Trade Organisation accord which came into force last month, enabling companies increasingly to provide "end-

Moreover, the US, whose annual net payments under the accounting-rate system have risen to nearly \$6bn (partly reflecting the explo-sion in US-based callback

own networks.

decided to force the pace of change by slashing maximum permitted rates for international calls paid by

US operators. This unilateral action. already under challenge in the US courts, has infuriated many ITU members and some, such as India, have threatened to complain to the WTO. But Donald MacLean, the ITU's strategic planning chief, says all sides would prefer a multilateral solution in the ITU.

Turkmenistan seeks to attract foreign oil and gas investment

Carlotta Gall reports that reforms in the central Asian state have impressed executives of oil companies willing to join in the development of offshore Caspian Sea resources

sign several big production sharing deals with foreign oil companies this year, as oil and gas sector reforms finally attract largescale inward investment.

Qualification for Turkmenistan's first tender to explore offshore Caspian fields ended last week and Toili Kurbanov, minister for foreign economic relations, promised negotiations would

STIMAH

for Turkmenistan. We anticipate several deals," he said.

reserve as well as an estimated 2bn to 4bn barrels of oil, but has been slower than its neighbours in the Caspian region to invite in for-

has been hampered by its foreign investment.

proceed quickly. "This year lack of export pipelines. is going to be a critical one Until last year its only pipeline link was via Russia. Lack of market reforms and Turkmenistan has the a lingering suspicion of westworld's fourth largest gas ern intention has also

deterred would-be investors. Mr Kurbanov, a 26-year-old banker who gave up a traineeship at Citibank in London to return bome last year to his new post, is spearhead-The former Soviet republic ing new policies to attract

Head Office :

Jl.Jend.Sudirman No.51

Pangkalpinang, 33121

"They are young professionals, enthusiastic in their work and are trying to adopt international practices, John Peck, managing director of the Malaysian oil comnany Petronas Carigali, said of Mr Kurbanov's team. "For indeed.

Kurbanov's appoint ment 12 months ago signifies a general shift in Turkmenistan's policy towards investors. In the last year the government has passed a law on petroleum, drawn up model contracts for production sharing agreements and set up an expert council to work on long-term strategy.

the petroleum law as laving out a vision for equal treatment of national and foreign oil traders, a favourable tax regime and the use of PSAs and joint ventures for petro-

leum licensing. It is part of President Saparmurat Nivazov's plans to create a friendly environensure market reforms were

rreversible, he said.

were queueing up to meet Mr Kurbanov at an oil and gas conference in the Torkmen capital. Ashkhabad. last TURKMENISTAN week. The young minister not only speaks fluent American-accented English but he and his team understand how foreign companies

line has increased investor confidence and drawn more prospective investors to Turkmenistan, "There is a us it is very encouraging lot more interest than two long time to materialise, years ago," said Scott Barber, vice president in Turk- yet to resolve the political menistan of US company Unocal. "The new law and model contract signal a

change in attitude." Elly Gurbanmuradov. director of the State Agency promised to "establish a new investment climate" by raising financial reporting and Mr Kurbanov described accounting to international standards and introducing new rules on oil and gas extraction.

He forecast that investment would triple over the next two years from \$700m

But western diplomats and financiers were more cautious. They said that ment for investors and to the energy sector was the only area of government undergoing real reform and

The country has fallen heavily into debt since gas exports were stopped a year ago after a dispute with Russia over tariffs. The budget ran a deficit of \$500m last

year - 35 per cent of gross domestic product – and debt levels doubled to \$1.2bn. Ashkhabad residents say there were bread shortages for six months last year. Western officials say Turkmenistan's revival hinges on

Mahat

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MN / Mir TN

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(Translation)

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remained in a precarious

its hope of resuming gas sales, despite the failure six weeks ago of talks on the dispute with Russian. The huge wealth of its energy resources will take a though. Turkmenistan has

difficulties it faces in exporting its oil and gas to international markets. Western oil experts say obstacles are the dispute over the status of the Caspian Sea between the for Foreign Investment, five littoral states and the lack of firm solutions for export pipelines.

Every proposed pipeline is bogged down in political complexities, whether the one through Iran, which is out-of-bounds for US companies (and other groups risks incurring US sanctions) or through Afghanistan, with its continuing civil war or through the disputed area of Caspian Sea itself.

Until those issues are resolved investment will, in the words of one one oil executive, be "slow and mea-





Time: April 15th-30th, 1998 Sponsors: Chinese foreign trade enterprises
Undertaker: China Foreign Trade Centre (Group) Add: 117 Liuhua Road, Guangzhou, P. R. China Tel: 86-20-86678000 Ext. 87621, 87631, 86665846, 86661684
Fax: 86-20-83335880, 86665851
Http://www.cocf-gx.com/E-mails-confild@clet.cn.net

Businessmen from all parts of the world are welcome to the Fair.



BOARD OF DIRECTORS OF

PT TIMAN THE

John Howard, the Australian prime minister, said yesterday his government would sell its remaining two-thirds stake in Telstra, the country's telecommunications (US\$40.3bn), in one of the world's largest public share

The plan was attacked by opposition leaders and sparked fresh debate about the government's ambitious

election of his government The proceeds from the Telians, enabling the government to fund a variety of election promises as well as

repay national debt, he said. The initial one-third listing of Telstra on the Austra-

Mr Howard, speaking at a November enabled the govnational conference of his ernment to cut national debt Liberal-National coalition, by about \$900m. Mr Howard in the next national poll. stake would allow the retirement of about 40 per cent of worth A\$60bn stra sale would provide a debt, slashing annual inter-"social bonus" for Austral- est payments. Foreign ownership of Telstra would be

> 5 per cent ownership limit applicable to each foreign investor, he added.

block further sale of Telstra will lose by the loss of a communications services shares, while independent linked his pledge to the re- said yesterday the sale of the for a referendum on the government's remaining issue, setting the stage for a fierce political battle. The

> but in the upper house, or Senate, the balance of power limited to 35 per cent, with a lies with an independent senator and small parties.

great national institution out of their hands," he said.

pendent senator whose vote

the Australian Greens, said the Telstra sale would widen leader, described the govern-

lian Stock Exchange last party said it would fight to "in the end, all Australians poorer people will get worse

Mr Howard is widely expected to call an early election by October, partly because of fears that Asian economic upheaval will begin to affect the economy. He said he would soon introwould not take effect until the gap between rich and after the return of election

India's PM-in-waiting a man more popular than his party

Vajpayee is charming but the BJP's agenda is still seen as controversial, sectarian and divisive, writes Mark Nicholson

ndia's vast electorate may Sonia Gandhi, the opposition have delivered a complex, indeterminate and awkward parliamentary verdict in last month's elections. But Indian voters have at Bharatiya Janata party leader and self-styled "prime minister-in-waiting" who looks set to be sworn into an unruly-looking BJP alli- tural nationalism".

It will in fact be a second chance at the helm for the schoolteacher's son from Gwalior in north India, Mr Varpayee and the BJP held office for just 18 days after
the indeterminate May 1995
elections, failing then to
muster enough allies to govern. This time his tenure looks certain to run longer.

Mr Vajpayee, a published poet but lifelong politician, has consistently outscored nationalist BJP. Just a quarter of India's electorate voted for the party. But opinion polls routinely showed more than 40 per cent of Indians felt Mr Vajpayee

Congress party's star per-former and heiress to the Nehru-Gandhi dynasty.

Such standing is testimony to his perceived proleast handed the country's bity, genial charm, clever leadership to its most popu-lar politician, Atal Behari and easy laughter and, per-Vajpayee, the 71-year-old haps mostly, his standing as a moderate within a party which houses many sterner, more strident advocates of the BJP's Hindu-based and office this week as head of sectarian ideology of "cul-

saries would put it, the "acceptable face" of the BJP. "He's a nice, avuncular senior statesman who makes you feel good," says Jairam

Certainly, Mr Vajpayee's smiling face was consciously used by the BJP during the long election campaign, dur-ing which he addressed more than 80 rallies. Many of the BJP's new regional party with the Hindu nationalist had qualms inviting votes to deliver Mr Vajpayee as an "able <u>prime minis</u>ter".

and sister organisations and their agenda.

For many, the party's central leader is in fact Lal Krishna Advani, party presiure altogether. Indeed, Mr Advant said lately that he had decided the party should project Mr Vajpayee as its prime ministerial candidate because "it has long been my view that in a country as vast and varied as India, the party leader should not be perceived as someone as ideologically rigid as I am. . .

he comment, however, raises the issue of the BJP's nature and the degree to which it seeks to pursue its more controversial policies of Hindutea or "cultural nationalism", policies its opponents have long opposed as religiously divisive and in many cases anti-

soft-pedalled or even ignored while the BJP depends for governance on more than a dozen regional allies, almost Less clear, though, is Mr all of which oppose Hinwould make the best prime. Vajpayee's true standing duton Instead, the coalition minister - eclipsing even within the BJP and, in par-partners are set this week to more worldly lifestyle sits



reviving the economy and which will provide the basis for government.

But Hindutva remains the BJP's defining ideology, and Mr Valpayee's relationship to this ideology and its prime proponents within the BJP and its fellow organisations is ambiguous. The chief such organisation is the Rashtrya Swayamsevak Sangh, a sect-like, ascetic and highly organised brotherhood established in the 1920s and devoted to the ideals of Hindutpa, Many senior BJP leaders belong to the ranks of the RSS.

Though Mr Vajpayee's

Agenda" of issues such as of the RSS, the future prime of the organisation since the 1940s and was embarrassed during the election cam-paign by publication of an article from a 1995 issue of The Organiser, the RSS jour-nal, titled "The Sangh is my life", in which he spoke

approvingly of its aims. The RSS was, he said, devoted to "changing the collective mind" in India, in particular to "organise the Hindus", while aiming also to "assimilate the non-Hindus, like Moslems and Christians in the mainstream".

Mr Vajpayee disavowed these remarks and, in fact, commands more respect

announce a "National uneasily with the asceticism other BJP leaders. This derives in part from his as minister for external affairs during the Jana Sangh government, in which an earlier incarnation of the present BJP held a coalition berth. Mr Vajpayee then made serious efforts to improve India's relations with China and Pakistan.

His conciliatory and consensual qualities while in office therefore have precedent. Now, however, they are likely to be tested as never before. "I've been waiting 40 years to be prime minister, now it is my turn," Mr Vajpayee said recently. He and India will soon discover whether it was worth

Mahathir names chief adviser Battle for top to lead 'virtual IMF policy'

Mahathir Mohamad, the Malaysian prime minister, has designated his chief economic adviser, Daim Zainudrefer to as the country's "virtual IMF policy".

Unlike its neighbours, Malsysia has resisted turning to the International Monetary Fund for a rescue package to address the effect of the regional financial crisis. Instead Malaysia has devised its own austerity package which observers say is an IMF programme in all but name: spending is being squeezed and big ticket pro-

tects suspended. Mr Daim is at the heart of the package. He is a success-

former finance minister dur-ing Malaysia's last crisis, the mid-1980s recession.

He commands huge respect as an elder statesman. He was therefore seen as the perfect figure to explan economic policy after tensions rose between Dr finance minister, Anwar announcing a deadline. His Ibrahim, over how to handle the crisis.

But he has not been given carte blanche enforcement ties to "clarify" that the powers and that appears to deadline was only for be undermining his efforts to restore investor confidence and revive the economy.

Mr Daim said in an interview the conflicting statements from Dr Mahathir and Mr Anwar created a "big problem". Investors do not know who to listen to. To ful businessman and was a eliminate confusion, Mr advised against bailouts.

spokesperson be designated, as in the 1980s, but that has not happened.

When the authorities imposed a sweeping plan to merge the 39 finance companies and some of the 36 com-mercial banks by March 31, Mahathir and his deputy and Mr Daim advised against instincts were proved right as negotiations have been tough, forcing the authorifinance companies to agree on partners, as well as in principle on terms, and that there was no deadline for any of the commercial

banks. This has rattled confidence in the authorities' ability to reform the sector. From the start Mr Daim

"There isn't a firm decision yet," Mr Daim says. In the meantime, analysts are pointing at deals they consider government-sanctioned

They also noted the decision by Petronas, the state oil company, to buy the shipping assets of Konsortium Perkapalan, a debt-burdened company controlled by Mirzan Mahathir, Dr Mahathir's eldest son.

Perhaps Mr Daim's most controversial recommendation has been to set aside racial quotas on share ownership, the cornerstone of an economic policy to give the majority Malay race parity with the wealthier Chinese minority. In the 1980s the authorities eased such curbs in manufacturing, which revived the economy.

job at Japan's central bank

By Michiyo Nakamoto and Gillan Tett in Tokyo

A bitter battle is heating up over the succession to the top job at the Bank of Japan (BoJ). But this time, the race for the governor's post, which is expected to be vacated by Yasuo Matsushita within weeks, is likely to be subject to different pres-

In the aftermath of the worst scandal that has hit Japan's central bank since its founding, politicians have been throwing their weight around even more than usual in a tussle over the bank's independence.

Mr Matsushita is resigning following the unprecedented arrest of a BoJ official on suspicion of leaking critical exchange for lavish enter-

The choice of a new governor would normally be determined by a long-held practice of alternating between senior central bank and finance ministry (MoF) officials - a tradition unbroken for nearly three decades. But the extraordinary cir-

cumstances of Mr Matsushita's resignation have provided politicians with an excuse to try to influence the contest. This in turn is raising concerns about the impact political interference could have on the BoJ's independence.

Political pressure on the central bank governor had been building up even before the scandal began to unfold. For months, Hiromu Nonaka, an influential figure in the administration, had made unusually public calls for the resignation of Mr Matsushita, who was seen to have used his influence as a former finance ministry official and former executive at Sakura Bank, to "descend from heaven" to the top job at the central bank.

Now that Mr Matsushita is to go, politicians in the LDP see an opportunity to wrest policy-making power from the bureaucrats and, at the same time, improve their public image at the officials' trast to that of the MoF - is

LDP politicians have been calling for a new governor who comes from neither the bank nor the ministry.

LDP desperately needs to boost its public image. By showing that they have a say in the BoJ succession, LDP politicians can claim the party is ready to act decisively and ruthlessly against corruption.

More worryingly, says Takao Toshikawa of Tokyo Inside Line, a newsletter, there is a camp within the LDP which has long aimed to weaken the power of the bureaucrats. "Governments in the past could not govern without the MoF," Mr Toshikawa says. Their intervention in the affairs of the bureaucracy, including the BoJ, will increase.

In addition, the new BoJ law which comes into effect next month requires greater disclosure of BoJ activities, raising the possibility that politicians will find it easier to influence decisions. Senior bank officials are already called to address the Diet more often than before.

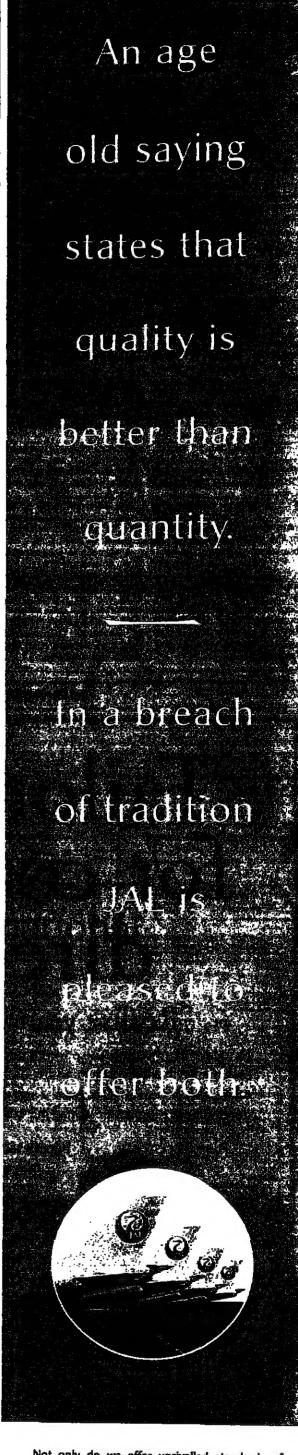
Central bank officials acknowledge that the politicians are wielding considerably more power than they used to. But the BoJ is in a fairly strong position to resist political pressure.

For one thing, the Bank's future independence has already been defined in the new BoJ law. However bad the scandals, it is highly unlikely that the politicisms will try to change the law passed last year.

The finance ministry, by contrast, has been damaged by the fact that the scandals have erupted just when its future is being discussed.

Under the new BoJ law, monetary policy decisions will be taken by a nine-member board and the minutes of their meetings published. There will be no politicians on this board and politicians will not be able to demand policy changes directly. Furthermore, politicians have shown little inclination to influence daily money market operations or even the level of the yen. And the bank's recent handling of the financial crisis - in conenerally considered to have been reasonably good.

So while political interference is set to increase, it is not expected to affect mone-With national elections tary policy seriously,



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Budget 'worse'

Government budget disci- Directors showed signs of deteriorating last year even as the Bank says in its annual report published today.

though the populationweighted budget deficit for the region averaged just 2 per cent in 1997, deficits widened in 16 countries and exceeded 3 per cent of GDP in 10 of them.

The fiscal performance represents a disappointment, given growth of 5.2 per cent last year, the second fastest annual growth rate since

The report says the growth allowed unemployment to fall in the region for the first time since 1989. Real investment jumped by 10 per cent across the region. gross domestic product, compared with 16 per cent in the

 Confidence among US portfolio investors about Latin America has weakened in the past year, to a survey published yesterday shows.

The survey, commissioned by BankBoston of the US gena, showed that 66 per cent of investors were more confident about the region Asia - but by most measures than they were five years of financial vulnerability ago compared with 81 per ent last year.

INTER-AMERICAN DEVELOPMENT BANK ASIAN CRISIS OVERSHADOWS LATIN AMERICAN DISCUSSIONS

discipline IMF calls on Mercosur to cut tariff

the pline in Latin America International Monetary Fund have urged Mercosur. the trade grouping including region put in one of its Brazil, Argentina, Paraguay strongest economic perfor- and Uruguay, to reverse the mances for years, the Inter- increase decided late last American Development year in the group's common external tartiff.

The call was contained in The report remarks that the report published by the Fund over the weekend to

The report, which followed

the IMF's annual consulatations with Brazil, drew attention to high levels of financial markets. protection in some industrial sectors, and said some directors had called for a reduction in the protection provided to the motor industry. The directors said: "The

recently agreed increase in the common external tariff ran counter to the trade liberalisation trend." Argentina

meeting of the Inter-Ameri- and Brazil agreed an November last year, amid turbulence in the Asian

The tariff increase was ostensibly a move by Argentina to replace a "statistical tax" on imports criticised by the World Trade Organisation last year. However, it was widely interpreted as a measure intended to curb large current account deficits in Argentina and Brazil.

points in the tariff in ary measures and pending ing last year's overall fiscal reduction in interest rates. fiscal reforms and follow prudent monetary policy to ensure a sustained reduction in Brazil's current account deficit, which rose to 4.2 per cent of gross domestic product last year. This would

> international financial mar-It said the government should resist spending pres-

minimise vulnerability to

deficit of 5.9 per cent of gross during the course of the domestic product.

spending by the Brazilian states last year, it said that spending restraint by the states was essential. However the fiscal policy

the continuing volatility in envisaged - together with the use of most privatisation receipts for debt reduction would facilitate a decline in

The Fund stressed Brazil's sures that might arise in a the overall public sector defiincrease of 3 percentage need to implement budgetpoints in the tariff in art measures and additional sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a the overall photocological sures that might arise in a cit and therefore a sustained cit and therefore a sustained sures that might arise in a cit and therefore a sustained sures that might arise that

The government was also cern about the increase in urged to step up its efforts to reverse the recent shortening of maturities of new public debt and to reduce the share of debt linked to for-

eign exchange rates. Directors "generally" supported Brazil's current policy of gradually depreciating the real exchange rate.

_atin America looks muscular enough to fight off a crisis

Stephen Fidler examines World Bank's assessment of region's growth prospects in the light of Asia's economic problems

sia's crisis will shave 1.5 this year, according to new crisis-hit region, contributed

Growth is now expected to to a 21 per cent share of slow to 29 per cent this year, compared with its pre-crisis estimate of 4.4 per cent, from 5 per cent in 1997.

But like all such predictions, the forecast depends on Latin America avoiding a crisis of its own.

According to a new report from Guillermo Perry, chief Latin American economist of the bank, regional economies are not immune from the problems that afflicted they look stronger than their Asian counterparts.

A percentage points off four factors, appearing in Latin America's growth different degrees across the projections from the World to the vulnerability of the

 A build-up of short-term debt exceeding foreign exchange reserves, which rendered countries vulnerable to speculative attack. Heavy unhedged foreign currency borrowing by

reduced the ability of the authorities to devalue in a timely fashion without putting the private sector under great financial pressure. · High levels of debt and low-quality bank loan portfolios meant hanks and companies were vulnerable to rises in interest rates or economic

slowdowns. This again

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According to Mr Perry, restricted the authorities' ability to respond to speculative currency attacks.

· A more traditional vulnerability of the external sector. Some economies faced exchange rate appreciation, encouraging a slowing of export revenues and high or widening current account

There were five root causes of these problems, banks and companies according to Mr Perry. First, moral hazards - incentives to individual behaviour running counter to the public - were evident in financial sectors. These hazards, such as implicit or explicit deposit insurance schemes, led bankers and investors to over-invest in financial assets.

Second, crony capitalism

ousiness transactions.

supervision of the financial system were aggravated by a lack of reliable information

Fourth, rigid exchange rate regimes led to perceptions that the risk of devaluation was low, while the linkage to an appreciating dollar curbed exports.

Fifth, "partial and ill-sequenced financial and capital account liberalisation programmes" had eased restrictions on foreign borrowing, while restricting foreign ownership of the nestic banking sector.

Mr Perry said Latin America shared some of these problems. But in other respects, the region was less susceptible to crisis.

The main Latin countries. apart from Peru, experienced

covered up unprofitable no large credit booms Indeed, credit growth slowed Third, lax regulation and after the 1994 Mexican financial crisis in Argentina, Brazil, Mexico and Venezuela. Asset prices had increased by less than in the Asian countries, with the exception

of Peru and Brazil. Latin American economies also had higher ratios of reserves to M2 - a common measure of a country's vulnerability to runs on the currency. Bank restructuring and improvements in supervision have taken place across the region since the early 1980s, leaving financial sectors healthier than in Asia. Most exchange rate regimes, save Brazil and Argentina, were flexible though foreign currency

exposure of some economies was high. Brazil, Chile and Colombia discouraged short-term capital inflows.

economies did not appear to have high ratios of short-term debt to reserves compared with their Asian counterparts.

Only in Mexico and Argentina were reserves exceeded by bad debt with maturity of less than a year, but their debt-to-reserves ratio was still lower than in Thailand, Indonesia and especially

And although there was some currency appreciation in Latin America between 1994 and 1997, it did not lead - for a variety of reasons to slowdowns in export reve-

"Though some indicators of vulnerability were apparent in some Latin American countries, they were not in general as severe as those of their Asian counterparts."



Battle against Amazon fires

Firefighters bettling infernos in appealed for more men and equipment yesterday, but the arrival of essential waterbombing helicopters was delayed. Reuters reports from

Fires, set by subsistence farmers in the state of Roraima, have burned out of control for swathe of land like that pictured above near the border town of

Officials say 2.2m acres of farmland has gone up in smoke, while a severe drought has killed 20,000 cattle. Now the flames are eating

into remote rainforest areas which are normally too wet to burn. A column of fire has pushed at least seven miles into the Portugal-sized jungle servation of the primitive Vanomami Indiana A fire chief said 110 firemen

were trying to control the blazes but only 40 could work at any one time. The fires were spreading out of sight, under a carpet of dry leaves and branches on the forest floor.

arrive late yesterday a 70-member firefighting team from distant Rio de Janeiro was expected today. Roraima state officials are to rent 22 icopters from a company in Venezuela. Picture AP

Reinforcements were due to

Caracas sell-off hit by

By Raymond Coliff to Caracas

general strike by employees of Venezuela's aluminium complex, one of the world's largest, threatens to shake investor confidence and drive down the sales price less than a fortnight before the privatisa-

With the government under pressure to see through the country's largest privatisation, workers at the Venezuelan Aluminium Corporation, a subsidiary of CVG, the state industrial holding company, began action last week in pursuit of wage rises and other labour benefits.

They are demanding a oneoff "productivity bonus" of 600,000 bolivars (\$1,150) and a 12 per cent wage increase to match that paid by the bauxite plant, Bauxilum, one of four companies merged to

form the corporation. "It's obvious that they are taking advantage of the situation," said Alfredo Rivas, a CVG official, at the weekend. A productivity bonus was "absurd" as sales and production were down last year. However the bonus would be considered at a shareholders' meeting on March 23, two days before the scheduled

Combined production losses at the two aluminium smelters, the carbon anode producer and the banxite plant that make up the corporation could reach \$2m a day. Mr Rivas admitted production had been affected at the strike, but said a contingency plan maintained the "operative" and avoided damage to the production cells.

The government last Friday fixed the base price for a 70 per cent stake in the corporation at \$2.1bn. The remaining shares will be offered to employees and retail investors. Merrill Lynch, the investment bank managing the sale, is said to have recommended a base price of around \$1.8bn. Yet, as one government official explained, "a base price under \$2bn would have provoked political opposition".

An increase in wages would come on top of some of the most generous labour benefits in any aluminium future owners will also have to negotiate with a group of Japanese investors, who have a small share in one of the four companies. They are expected to trade their partial veto right in

exchange for a guaranteed supply of aluminium. The strike comes only days after it was known the government might have to return as much as \$150m to the consortium that bought the CVG's steel plant, Sidor. last December.

A lack of investment and maintenance in the weeks before the sale is said to have worsened the condition

WHITE HOUSE KATHLEEN WILLEY MAKES PUBLIC ALLEGATION OF IMPROPER SEXUAL ADVANCE

Claim deepens Clinton troubles

President Bill Clinton's political and legal troubles over reported sexual liaisons and subsequent cover-ups deepened at the weekend with the first direct and public allegation by one of the

women of an improper sexual advance by Mr Clinton. Kathleen Willey, the widow of a former Democratic party luminary, was scheduled to appear on national television last night to give what was billed as a frank account of the event which she says occurred in late in 1993.

Mr Clinton has already denied that any such encounter took place and yesterday his personal lawyer, Robert Bennett, said Mr Clinton was "bewildered" by the allegation. But the account seemed more problematic for the president have been rumoured for

than the allegations of an some time, but confirmation affair with Monica Lewinsky that have enguifed the White House over the last two Unlike Ms Lewinsky,

whose allegations have not been made under oath, Ms Willey has now gone on public and legal record with her claim. Also unlike Ms Lewinsky. Ms Willey has said the encounter with the president was unwanted and unwelcome. She said she approached the president in November 1993 about the possibility of a job in the White House. She said she was in an emotional state over her and her husband's finances and claimed that, after a long conversation in private, the president aggressively kissed and groped her. She later got a post in the Clinton administration. Ms Willey's allegations

day as part of the efforts by lawyers for Paula Jones, a former Arkansas state employee, to demonstrate a pattern of sexual barassment by Mr Clinton in her lawsuit against the president. They may prove valuable fuel for the work of the independent prosecutor, Kenneth Starr, who is investigating claims that Mr Clinton had an affair with Ms Lewinsky and then

of them emerged late on Fri-

Last week Ms Willey gave evidence to a grand jury investigating the alleged cover-up and she will be an important witness in any case Mr Star constructs against the president

urged her to lie to Ms

Jones's lawyers about it

under oath

Ms Willey also alleged efforts were made by a promment Democratic fundraiser to lie under oath about the

lleged encounter. Mr Starr is already investigating claims that Ms Lewinsky received job offers from companies with close ties to leading Democrats in return for her silence.

The Willey testimony was one document among 700 pages of evidence given by Ms Jones's lawyers to the judge hearing the sexual contained claims that other women had been induced to lie about Mr Clinton's sexual past when he was governor of Arkansas. But there was little in the form of independent corroboration of those

Nor was there much evidence to support Ms Jones' allegation that she suffered direct loss as a result of her encounter with the president, in which she alleged she refused to perform a sexual act with him

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FISCAL STABILITY CODE AIMS TO PROMOTE TRANSPARENCY

Ministers move on 'giveaway' budgets

and George Parker

The government will today cellors of the exchequer from

The "fiscal stability code" cellor to show how budget long-term objectives for the render control of interest people on benefits to return public finances. The Treasury will have to publish Bank of England, the UK projections of government borrowing and other key fiscal variables for at least 10 years into the future.

which will give legal force to measures in tomorrow's bud- impose tax rises on the betget, will require every ter off as a means of easing incoming government to inflationary pressure and publish its own code, reducing the value of sterpublish its own code, explaining how fiscal and debt management policy will satisfy requirements of transparency, stability, Brown was "worse" than responsibility, fairness and many Conservative chancel-

The government will only indoctrinated by "Thatch-be able to change the terms erite nonsense". He is of the fiscal stability codes demanding increased health they set themselves with and education spending.

delivering unsustainable bility of fiscal policy, reas- pling industry and that tax "giveaway" budgets which suring voters and the finances. cial markets that the cial markets that the government has no intention be introduced. - published on the eve of of relaxing the discipline it

> He sees it as complemenrates to an independent to work. central bank.

But Mr Brown's fiscal approach yesterday came ing on investments in the under attack from Labour proposed Individual Savings This year's finance bill, MPs and trade union leaders, who argued he should ling.

Ken Livingstone, the leftwing Labour MP, claimed Mr lors, and that he had been

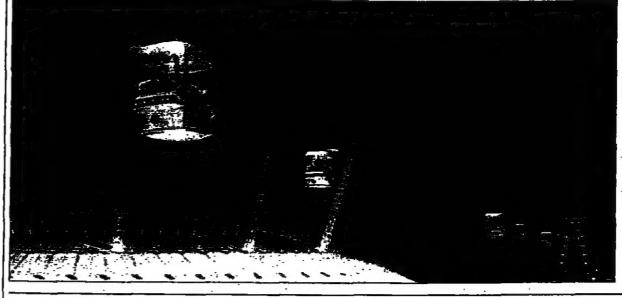
publish a legally binding parliamentary approval

John Edmonds, leader of the code to prevent future chan
Mr Brown believes the GMB general union, said code will enhance the credi- high interest rates were criprises for those earning more than £50,000 (\$83,500) should

Mr Brown has said that Gordon Brown's second bud-get - will require the chan-finances. is exercising over the public his budget will be "prudent with a purpose" and will measures comply with tary to his decision to sur- benefit changes to encourage include a range of tax and

> Other measures are expected to include abandoning the controversial £50,000 ceil-Accounts, a crackdown on tax avoidance and a number of environmental taxes, including penalties on the use of company cars.

The Treasury yesterday refused to comment on reports that Mr Brown would also use the budget to end admission charges for national art galleries and



Cable cars to carry dome passengers

Visitors to the Millennium Dome in Greenwich, south-east London, will be able to sopr over the Thames by cable car under an £8m (\$13m) project. Charles Batchelor writes. Travelling 80 metres above the river, visitors will have spectacular views of the City of London and historic Greenwich from 23 gondolas. The scheme - promoted by Meridian Cable Cars - will use funding from a mix of private investors, loans against forecast revenues and the possible leasing of the system, to be supplied by Doppelmayr of Austria. The care will come from another supplier

Insurers consider '2000 bomb' clauses

Marine and aviation insurers may introduce exclusion clauses designed to protect them from claims relating to the millennium "bomb".

Underwriters at Lloyd's and companies operating in ordinate a common approach the rest of London's commercial insurance market are discussing measures to limit their exposure.

Commercial insurers have several concerns. Ships and aircraft, for instance, could lose power because of the market. "We'll pay for fortu- underwriters could provide

PCN wireless service and the world's first

combined cable telephone service. We're

the same company that launched the first

ure of some computers to recognise dates after 1999. Navigational systems may fail, cargo could be wrongly delivered and refrigerated containers might stop functioning.

"We are are trying to coand are looking to create an hen Redmond, chairman of the Institute of London Underwriters, which represents some 40 marine insur-

ers in the London companies

inevitabilities." with other trade groups rep-

resenting marine and avia-tion underwriters in Lloyd's and the London companies market. Together, they insure 20 per cent of the world's commercial shipping Aviation underwriters are

due to meet leading international insurance brokers this week to try and agree draft wordings. While exclusions could be in place from May,

bomb if aircraft manufactur-The institute is working ers show they have taken underwriters specialising in action to ensure systems can energy and cargo insurance cope. "There would be a had begun writing exclusion questionnaire. If operators clauses, but a common forhave taken adequate measures, then we could give ket where many may be cover for defined perils such as aircraft accidents," said James Healey-Pratt of the

> underwriters. insurers were also discussing providing cover as long cult to impose restrictive as policy holders demon- terms on policies.

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ities, but we won't pay for limited cover against the strated their systems were compliant. He said several clauses, but a common formula was essential in a mar-

insuring the same risk.
He added that the London insurance market would Group, set up by London ing any exclusions. The current soft market conditions Mr Redmond said marine and intense competition globally were making it diffi-

NEWS DIGEST

NORTHERN IRELAND

Blair may take personal role in peace process

Tony Blair, the UK prime minister, is set to take an increased personal role in the Northern Ireland peace process as negotiations enter their final stages. Mr. Blair is keen for the participents in the talks to reach agreement on a proposed settlement next month and for the deal to be put to a joint referendum in Northem Ireland and the Republic of Ireland in May. "As we go into the final weeks, it could be that the prime minister's role intensities," Mr Blatr's office said. The prime minister would not usurp the role of Mo Mowlam, the chief Northern treland minister in the UK government, or former US senator George Mitchell, the talks chair-

Meanwhile, one of the four pro-British "loyalists" charged with murdering two friends - a Roman Catholic and a Protestant - in a pub in Poyntzpass in the province was yesterday found dead in his prison cell. David Keys, who was 26, hanged himself at the Maze Prison. George Parker, London

RETAILING

US group in supermarket deal

Inter-Act Systems Europe, a subeidiary of the US group Inter-Act, has agreed a deal with J Sainsbury, the UK's second-biggest food retailer, to introduce touch-screen klosks in its stores. Inter-Act Systems will be footing a bill of more than £10m (\$16.7m) to set up more than 1,000 kicsks in the chain's 344 stores if initial three-month trials in 13 stores prove successful.

The kiosks will enable Sainsbury's 10m loyalty card holders to take advantage of product discounts of up to £25.50 per visit, recisern loyalty points and find recipe ideas. Eventually, the technology could offer financial services by linking with the J Sainsbury Bank, or print out suggested shopping lists based on previous repeated purchases.

Although other UK retailers such as Safeway are experimenting with interactive klocks, few are thought to be running trials as extensive as those planned by Sainsbury. Blair Jenkins, of Inter-Act Europe, said both companies anticipated that after the initial trials in May, the kiosks would be rolled out throughout the chain by the end of 1999. Peggy Hollinger, London

OBITUARY

Mary Bunter

Mary Bunter, a senior sub-editor on the Financial Times, died yesterday at the age of 44, after a long illness. She had been betfiling cancer for the last six years. Mary joined the FT in April 1986 as an experienced sub-editor after a career in regional newspapers in the Midlands and London. She played an important part in a period of rapid change in technology and editing structure at the newspaper. On top of her professional accomplishments, her many triends at the newspaper will remember her ready sense of humour and unfailing cheerfulness - even as she struggled with great courage against her illness. Her determination not to be beaten was demonstrated by her decision last autumn to study for a law degree at King's College, London.

BBC resists mutualisation

The BBC is resisting a suggestion that it should become a mutually owned organisation, allowing its 21m licence fee payers a vote on its board of governors and freeing the organisation

to raise new capital. The proposal, which is to be aired publicly this week, has already been considered among a range of options for the future ownership structure of the BBC by advisers to Chris Smith, the chief

minister for culture. However, the proposal has been resisted by senior managers at the BBC and is not part of government plans. It is to be suggested publicly on Friday in a booklet published by the Institute for

Public Policy Research. Mutualising the BBC. which would involve ending government ownership and instead giving licence payers - through whom the corporation is funded - control

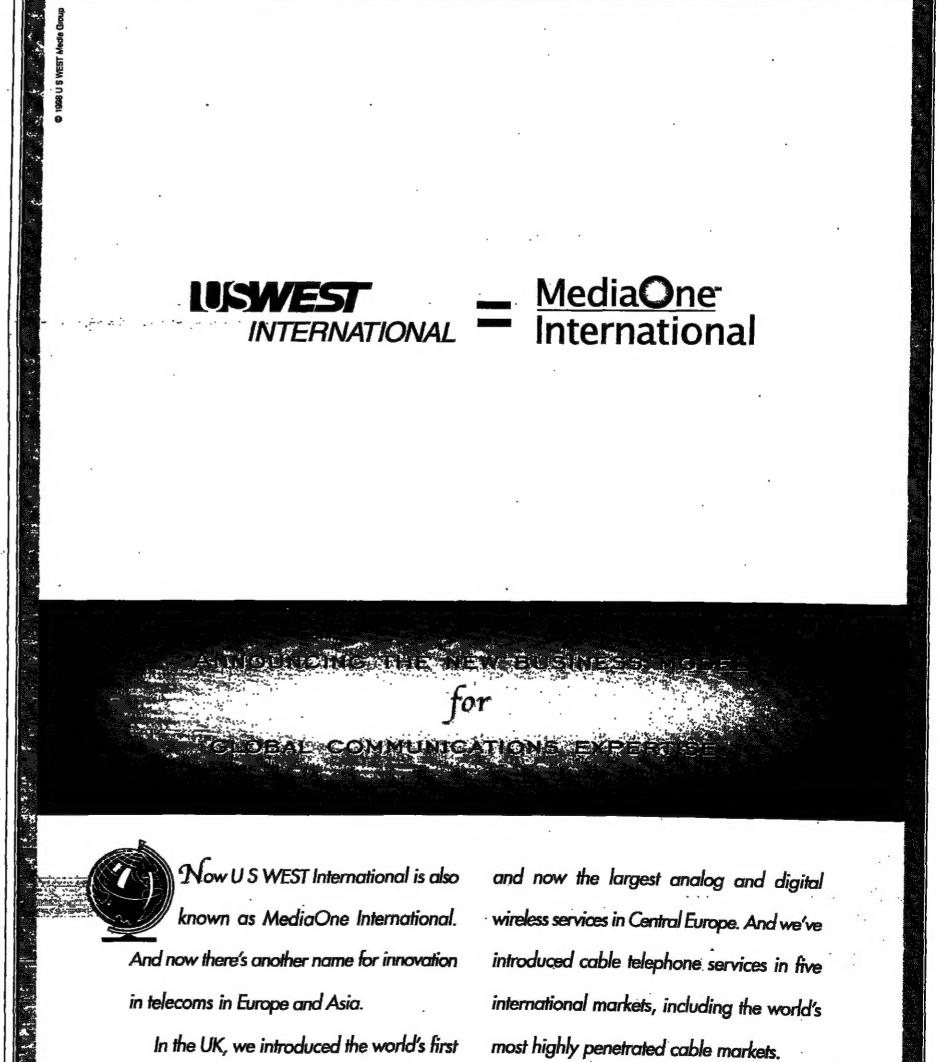
would constitute a radical alternative to the privatisation of similar state assets. Mr Smith has said he

wants to reinforce the accountability of the BBC's board of governors to ensure it is not distracted by commercial ventures from a commitment to public service broadcasting.

He has also said the government will review the BBC's funding within two years. This could allow ministers to reconsider mutualisation. City advisers are thought

to support the idea because it would allow the corporation to be removed from the public sector borrowing requirement and raise money in capital markets. Such a move would be

accompanied by safeguards to stop the BBC being forced by members into a flotation. NatWest Markets estimates the potential market value of the corporation at about £4bn (\$6.7bn), or £190 per



Do B2 \$0.1025

2237.99

NKK 5,3% Bd 1999 Y530000.0

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NTT Data 3.3% Bd 1999

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Do Class A4 £1969.28

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Y2250000.0 Do 5% Sb Nts 2005 Y2500000.0 Export-Import Bank of Japan 91/2% Gtd Bd 1999 \$475.0 Hongkong & Shanghal Benking Prim Cap Und FRN (Ser 2)

Limited inc \$0.13 Midland Int Fin Gtd FRN 1999 \$298.52 Nippon Light Metal 5.3% Bd 1998 Y530000.0 Do 5.8% Bd 2000 Y580000.0 Park Food 1.1p

Royal Bank of Canada Fito Rate Db 2085 \$153.13 Spiritab FRN Sep 1998 \$153.19 Toyota Motor 51/4% Bd 1998 \$56.25

Welsh Water Utilities Fin 71/4% Gtd Bd 2004 271.25 WEDNESDAY

Abbey National Treasury 6%%

Gtd Nts 2002 \$63.75 BPI Cap Fin Ser A FR N/Vtg Pf BTM Fin (Curaceo) 6%% Gtd Bd 2003 \$68750.0 Do 71/4% Gtd Bd 2006 \$71250.0 First National Bidg Scty Fitg

MARCH 18

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Do 3.05% Bd 1998 Y305000.0 Do 3.8% Bd 2001 Y380000.0 Japan Airlines 4.6% Bd Na Toray 7.2% Nts 1998 1998 Y460000.0 Do 5.6% Bd 2003 Y560000.0 Treesury 111/2% 2001/04 £5.75 Lloyds Bank Ser C Var Rate Sb Vodatone 71/2% Nts 2004 Nts 1998 £193.10 Masthead Insurance Underwriting 2.3p Scottish Hydro-Electric 5.81p

274.79 Westpac Sec Class A Mtg Bokd FRN 2028 \$1438.37 Sumitomo Chemicals 6.4% Bd Do Class B \$1541.56 1999 Y640000.0 Witan Inv 3.950 Sumitomo Realty 6.1% Nts 1998 Y610000.0 **■ FRIDAY**

Do 6.15% Nts 1999 Y615000.0 MARCH 20 Do 6.2% Nts 2000 Y620000.0 Abbey National Treasury Tokai Fin (Curacao) Und Gtd Cno-Tec Lkd Gtd Nts 2006 FRN Y1190137.0

FFr135.0 Alcan Aluminium \$0.15 American Int \$0.075 Asahi Brews 7.3% Bd 2000 Y730000.0 BPI Cap Fin Ser B Step-up Gtd Exchequer 101/2% 2005 £5.25 Commercial Union 104% Gtd. Bd 2002 £107.50 Dewn Til Dusk 1.40 Kleinwort O'seas Inv Tst 1.7p East Rand Gold R0.65 Leek Fin No 1 Class A2 Mtg Enron \$0,2375 Eve 2.3p Fosters Brewing A\$0.05 Free State Cons R0.75 Manubeni Int Fin Euro Yen Gtd M & G Equity Inv Tst 0.95p Do Units 0.95p Southvael R5.70

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First Choice, The Farmers & Fletchers Livery Hall, 3. Cloth St.. E.C., 10.30 First Leisura, Fouinox, Leicaster Square, W.C., 12,00 Witan Investment, Royal Horticultural Society, Vincent BOARD MEETINGS: Finals: Britax

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Dorwent Valley

Paterson Zochonis

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Finals: Bostrom Bowthorpe Caim Energy Canning (W) Churchill China Claremont Garment Devro **Ibstock**

Kingfisher Laing (John) Roseby's son (Connolly Хазг Interims: LAWS

Thorpe (FW) THURSDAY MARCH 19 COMPANY MEETING: Securicor, Ironmongers Hail, BOARD MEETINGS:

Baynes (Charles) Bodycote Int

Capital Corp Cattles Cobham Courtaulds Textiles Evans Halshaw Fired Earth Fisher (James) Gees **Hon**

Kwik-Fit MDIS Morrison (Wm) Supermarket National Express Telewest Comms Travis Perkins Workplace Tech

FRIDAY MARCH 20 COMPANY MEETINGS: Continental Assets Trust, 1, Charlotte Square, Edinburgh, Hill & Smith, Copthome Hotel,

Merry Hill, Brierley Hill, W. Midlands, 12.00 Watson & Philip, Strathtay House, Dundee Technology Park, Dundee, 12.30 BOARD MEETINGS:

Portmeirion Potteries intenms: Fortnum & Mason

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THE PROPERTY MARKET

the largest US Reits,

answers: "Maybe." He

privileges ought to be

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industry's most abused tax

the Reit investor," he says.

"It's only one piece of the

Mr Zell says it is the

operating efficiencies developed by the largest

players that have really

attracted equity to US real

Others argue the real

transformation in the US

Reit market came about by

the creation of Kimco, an industrial Reit, in 1990. Up

until then, largely due to

egislative requirements,

Reits were simply passive

owners of property which

parties. Thus, the fee earner

had no equity stake in the

A 1986 law changed all

that, but it took years for the

industry to figure out what

Kimco devised a structure

transfer its assets to a public

The 10 largest equity Relia

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company without incurring

to do with the change.

allowing itself to use a

limited partnership to

business and the equity owner had no managerial

contracted out portfolio

management to third

estate in the past five or six



NORMA COHEN

One piece of a puzzle

Anyone who believes UK tax changes will spur the creation of a liquid property market will be disappointed, says Norma Cohen

Are tax breaks for the property industry the key to the creation of a large, publicly traded market in the UK? Will investors only buy property in an easily tradeable form if it carries the same tax treatment as direct ownership?

For many of the UK institutions that invest in property, the answer is a resounding "yes". After all, they can see the fantastic shift in ownership of US property from private to public hands in recent years The Real Estate Investment Trust structure - which exempts the company from corporation tax provided it pays out 95 per cent of cash earnings to shareholders as dividends - has done much to help investors overcome the illiquidity that affects direct property ownership

institutional investment. The UK property industry has been lobbying for similar tax structures in Britain, Stuart Beevor. managing director of Legal & General Properties, says: The global markets have taken off and if you want to compete in the global market you have to have a competing product."

But will tax changes

market? Some in the industry remain sceptical. First, Reit legislation was passed in 1960. More than 30 years later the sector had a market capitalisation of about \$10bn. It was not until 1992 that the fantastic growth began, reaching about \$130bn today. Moreover, the UK already

has easily tradeable pools of property - property companies. And although they nominally pay the same 31 per cent rate of corporation tax as other companies, they can limit their tax bill by applying development losses against profits.

Capital & Regional, a UK shopping centre developer, reported this week that in 1997 it paid £650,000 (\$1.1m) in tax on rents of more than 528m. hardly a sum to deter a tax-averse investor. Mr Martin Barber, chairman, argues that UK property companies could wipe out much more of their tax bill if only shareholders would drop their opposition to the use of convertible loan stock

to raise equity capital. When asked whether tax breaks are a necessity for the creation of a liquid real estate market, Sam Zell, the billionaire real estate

capital gains tax. After this Reits began to take on the characteristics of other operating companies. No longer were they simply cash flow packages, but manufacturers and service providers that needed to think about inventory, quality control, pricing, marketing and branding, just like Ford or Coca-Cola.

"Tax breaks are nice but they are not absolutely essential," argues Richard Mulley, head of European real estate at Bankers Trust in London, "If they were, the argues that some of the Reit UK market would be littered with limited partnerships," he argues.

curbed. "The great fallacy is Tax transparency, Mr that tax is the main focus of Mulley says, is a red herring. What are the real issues? Very few companies pay property tax. The real issue is that the industry has got to face up to the disciplines of the market." Among these, Mr Mulley

lists disclosure, transparency, real-time mark to market of assets and the benchmarking of

Moreover, the structure called for by UK institutions a tax-transparent holding company that pays fees - is precisely the wrong structure for the creation of

a liquid property sector.

John Carrafiell, head of European realty at Morgan Stanley, says the most essential ingredient for success is the need to align the interest of property owners with its management. It has to allow the management and the assets to live together, he says. Nevertheless, UK pension fund managers have traditionally been able to invest directly in property without incurring tax and it will be very difficult to wean them off it, Mr Carrafiell

Clearly, it would be hard to argue tax structure does not make a difference. Mr Zell points out that the biggest investors in Reits have been US mutual funds which must pay dividends to retail investors.

Arguably, given the tax structure of UK property companies, Britain could introduce the tax transparency the industry so badly wants at little cost to taxpayers. But anyone who believes this will spur the immediate creation of a liquid property market will be disappointed.

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100 largest Paths, by equity capitalisation (Son)

Easily Office Proportion Treat Stawcool Lodging Vornedo Reelly Trust Public Storage

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Cubiertas y MZOV (now NECSO)

oraleja Business Park ny development scheme. Madrid aratories beadquarters. 10,850 m² SOLD

Richard Ellis Richard Ellis

Bankers Trest

57 properties
ing to the Filo property group VALUED

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THI Leisure

the construction of a leisure park Arrayo de la Yega. Modrid 17,615 m² ACQUIRED

AGF Unión Fénix

88,985 m²

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ACQUIRED

Despa

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P^e Castellano, 33 and Fortuny, 18 22,355 m² SOLD SOLD

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ai Mar Shopping Center

Hogarin, S.A. (Azer GMF Group)

Plaza del Callan,5 Maskid 10,773m²

SOLD

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3,998 m²

SOLD

round, 464 and Minerva,

SOLD

Seinsn

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8,343 m²

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INSIDE @ TRACK

PROFILE SANDY WARNER, CHAIRMAN OF J.P. MORGAN

A lifelong banker with a tough line in memos

Tracy Corrigan and William Lewis on changes patchy. The bank came only 10th change over the next year or so. in equity underwriting, one of I'd liken us to an airplane that at the Wall Street bank as its chairman faces the biggest challenge of his career

memo from their chairman. Sandy Warner, last month, they were shocked. Not so much by Mr Warner's statement that 5 per cent of jobs were to be axed: rumours of cuts had been widespread after a disappointing fourth quarter, exacerbated by the Asian crisis.

The bigger surprise was the candid tone and trenchant content of the memo. Mr Warner, who normally plays his cards close to his chest, was unusually frank about the predicament facing his company. "Our stock is lagging competitors...Our rate of expense growth has exceeded revenue growth in three of the past four years," he complained. We must now capture further market share and increase busi-

Mr Warner's decision to up the stakes came out of the blue. Under his guiding hand, J.P. Morgan has transformed itself in the past dozen or so years from a wholesale commercial bank into a global investment bank, building dominant positions in fixed income, derivatives and fund management, and respectable businesses in equities and mergers and acquisitions.

Crucially, Mr Warner has chosen to do this through organic growth, not through the headline-grabbing mergers that bank's most successful competitors. But the cost of building the business organically has depressed returns. And the accelerated pace of consolidation in the investment banking industry has upped the ante as market leaders Goldman Sachs, Merrill Lynch and Morgan Stanley Dean Witter are consolidating their position in the bulge bracket of elite sdobal investment banks.

buy some time for the bank, remarkable achievement." which has become a frequent tar-

When employees at J.P.
Morgan, the prestigious
Wall Street bank, saw a get of takeover rumours. "The memo was meant to be preemptive," says Art Soter, finanget of takeover rumours. "The cial services analyst at Morgan Stanley Dean Witter. "It may keep the wolves at bay for a while.

> Still, coming from the head of one of Wall Street's most conservative banks, it is strong stuff. and it is clearly destabilising." "That is the chief executive saying: 'Hey guys, I want you all to feel the pressure," says Walter Gubert, Morgan's global head of investment banking.

'If you can't ... get into the leadership now strong enough to pick and choose,

direct and see the letter as typical of his management style. "He takes a scientific approach to management, lays out the facts and what needs to be done rationally," says one executive who knows him well.

Mr Warner says of J.P. Morgan's position: "If you can't ... get into the leadership group, you may have to get out. The firm is strong enough to pick and choose, shifting and redeploying have been the staple of the resources where opportunities

> J.P. Morgan has come a long way. Last year, it ranked fourth in US bond underwriting and seventh in global mergers and acquisitions, according to Securities Data, which tracks deals. "They were not in the league

tables at all 10 years ago," notes Management in Connecticut. Now they are running fourth. Mr Warner's sharp words may fifth or sixth. That is a pretty

The record, though, has been

the higher-margin businesses it has been struggling to penetrate.

"They just got ahead of themselves, shouting to the outside world that they were doing better than they actually were," says the head of a rival investment bank. "They would have been better advised to keep a lower profile and not let us see them coming. Now the whole world is hearing about their difficulties

Mr Warner, while open about the need to improve J.P. Morgan's financial performance, defends his track record. "If someone had told us 10 years ago The tough tone of the memo that we could have this momensurprised competitors and staff at turn and this set of capabilities,

group, you may have to get out. The firm is shifting and redeploying resources'

leagues of Mr Warner. They and a return on equity which describe his style as open and never dipped below 13 per cent, I would have taken that in a heart-

> Still, his new push towards the bulge bracket represents possibly the biggest challenge of his career. "He is a lifelong Morgan banker, so he is a product of the Morgan culture," says Mr Soter. "But at the same time he is trying to be an agent of change. It is not drastic change, but the wants to make the bank] a tougher, more feisty company." Mr Warner appears confident

his bank has what it takes. "On any day, on any transaction, we are competitive with the best in According to Mr Gubert, Mr

Warner "combines a passion for winning, which is contagious. with a very down-to-earth approach. He is a great communi-Robert Salomon, founder of STI cator. He is open. He is an embracer, though not every decision is made through discussion." Peter Hancock, Morgan's global head of fixed income and credit, believes there will be a "big

has climbed up to cruising altihave been using a lot of fuel. [But now] efficiency is greatly improved." It is too early to tell whether Mr Warner can propel J.P. Morgan into the select club of elite global investment banks. But few are ruling out his efforts yet, "I think that J.P. Morgan can do it. They can turn it around, says a senior M&A banker at a

leading US investment bank. "The question is: can they continue to build organically, given the rapid process of change else-where in the financial services industry? They have to go faster and there are a lot of people who might be interested in a merger.' Many have speculated, for instance, on a union with Deutsche Morgan Grenfell, the Ger-man investment bank.

Mr Michael Lipper, financial analyst at Lipper Analytical, believes Mr Warner could bring off his ambition. Paradoxically, the end of the bull market, if it comes, could help, "If we have a downmarket soon enough or long enough Morgan's financial strength should help them come out of the other side in better shape than many competitors."

But how much time does Mr Warner have? Not much. "We are witnessing the endgame in this sector of global wholesale financial services," says an analyst at a rival bank. He believes there are about 10 contenders. But only two or three will join Goldman Sachs, Merrill Lynch and Morgan Stanley Dean Witter as the "big winners", he says, J.P. Morgan has "a prestigious name and reputation, and a wonderful culture of teamwork and client focus, but time is running short and their market share still doesn't place

them in the leadership category". The stakes are higher than ever, and competition increas-ingly fierce. "The two leading contenders [for the bulge bracketl are J.P. Morgan and Chase," says Mr Sotar. "But they both have big holes to fill." Mr Warner's memo could be the first



ESSENTIAL GUIDE TO SANDY WARNER

Sandy Warner - who is never called by his given name, Douglas - has spent his career with the House of Morgan. The Cincinnati, Ohio-born banker joined the company in 1968, after graduating from Yale University, and completed the bank's

management training programme He held a range of jobs before being posted in 1983 to London. where he became general manager in 1986. In 1987, he returned to New York to take charge of corporate finance in the Americas and later

and chief operating officer under Sir Dennis Weatherstone from 1990 and became chairman, president and chief executive officer on January 1,

One of his first actions was to set up a "house arrest team" of executives, who are holed up in his offices on Wall Street for two days at a time for brain-storming sessions, and not allowed to leave, even for

According to one analyst, Mr

Warner, now 52, is well trained for the job in hand, having spent his entire career watching JP Morgan transform itself into a global

investment bank. His positions outside the company include directorships of Anheuser-Busch Companies and General Electric, Mr Warner is also chairman of the board of managers of the Memorial Sloan-Kettering Cancer Center in New York and a trustee of the Pierpont Morgar

THE PRINCIPLE that clears the vision

■ The euro is on its way. On the first weekend

in May 1998, the member states of the Euro-

regions, it offers local expertise in a global

pean Monetary Union (EMU) will be deter-

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DG BANK

MANAGEMENT STRESS CONTROL

hands-on approach

Employees are being offered massage to help them cope with the strains of office life, says Virginia Matthews

come and Railtrack are among the UK companies that are turning to a 700-year-old form of (fullyclothed) Japanese massage. practised on-site by qualified professionals, to knead away the stresses and strains of

the working day. Other organisations, including a number of government departments, offer their employees aromatherapy, reflexology and t'ai chi chu'an - an ancient Chinese martial art. In the case of the Foreign Office's Lifestyle Centre opposite Buckingham Palace this is used to help dilute the tensions of high-level international networking.

Meanwhile, Coopers & Lybrand believes that it leads the City accountancy pack with a popular, if inten sive, two-day physical and psychological assessment programme that invariably leads to suggestions of less work and alcohol and more

What all these employers share is the belief that the physical and mental wellbeing of the workforce is too important an issue to be left to employees themselves; one which deserves a place in the office, rather than being relegated to lunchtime or after work.

While a small number of companies expect their staff to pay for any treatments. most will offer subsidies. Paul Hancock, director of

Massageworks - a consultancy specialising in workbased Anma massage therapy - believes that a growing number of companies are

SmithKline Beecham, overcoming their inhibitions that it can alleviate the sort Tesco, Glaxo Well- to take what he calls "a of stress-related illness that come and Railtrack more proactive role in their costs British industry dear more proactive role in their workers' health".

> Anma massage, closely linked to shicusu - another Japanese technique involving finger pressure - is now becoming a firm favourite in the City. NatWest, KPMG and PR firm Burson Marsteller are among its devotees. Between them, they claim that it combats stress. muscle fatigue, headaches, lack of concentration, anxiety attacks and even insomnia. Practitioners concentrate on more than 60 acupressure points - identical to those used by the acupuncturist's needles - as well as specific trigger points in the neck, shoulders, arms and back.

Anma massage involves no oils or perfumes and does

FRANKLY SIMPSON YOU WERE MORE USE TO US WHEN YOU WERE STRESSED DIFFICE



working day," according to Mr Hancock, who believes costs British industry dear. Rather than relaxing the patient to the point of sleep, Anma is designed to refresh and energise; allowing an employee to return immediately to work.

remove any clothes, making

it "an ideal addition to the

Mr Hancock notes that while those on the middle rung of the corporate ladder are always keen to have a go at massage, highly paid executives "tend to see the desire for a massage as a form of weakness and are usually the last to attend".

On-site Anma massage, which involves sitting in a specially adapted chair. takes between 20 and 30 minutes and costs as little as £140 per day for a maximum of 12 half-hour or 16 20-minute sessions.

"Only a few years ago, employers would laugh and nudge each other when we suggested offering on-site massage," says Mr Hancock "Today, it is seen as far more mainstream and we ourselves get approached, most recently by BT and Price Waterhouse, both of whom have booked a demon-

At Coopers & Lybrand, the attitude to employee health is that "your health is as important to us as it is to you", in the words of partner David Seddon, a psychologist whose role is to look after human resources at the firm. "Not only do we have an on-site medical doctor, who gives people their preholiday jabs and treats them for flu, but we are also taking an active role in making our occupational health strategy stronger and

not require the patient to more proactive," he says. Coopers has a one-year waiting list for volunteers prepared to attend a two-day course on physical and mental health. The course is preceded by a full-scale medical described by Mr Seddon as akin to a pilot's medical, in which the cardiovascular system is reviewed, as well as a psychological analysis.

During the two days, staff are taught how to balance their physical and psychological needs with a new "personal lifestyle strategy". Among the strategies that Coopers have come up with are no weekend work, restricting evening work to two nights a week, taking a one-mile walk every day. reducing alcohol intake and

giving up smoking. 'We encourage people to make small changes to their lives, such as drinking two glasses of wine each evening rather than saving it all up for a Friday night binge, as well as taking exercise three times a week rather than wearing themselves out once

a month. While Coopers rather frowns on alternative therapy "we are very sciencebased," says Mr Seddon, firmly - the Foreign Office is considering adding acupuncture, posture control and class-based yoga to its ther-

apy menu. "Smoking and drinking too much are very common in the Foreign Office," says the centre's deputy manager. Matthew Wyatt, "and we will basically consider anything that helps them to quit". He adds: "Our most popular sessions are far more basic than acupuncture or massage though; what gets really booked up, by both sexes, is the Legs, Bums and Tims' exercise

LATER THIS WEEK

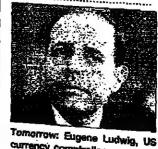
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currency comptroller, profiled



MANAGEMENT SOCIETE GENERALE DE SURVEILLANCE

Testing times for the chief inspector

William Hall on the troubles facing Elisabeth Salina Amorini, chairman of SGS and Switzerland's most successful businesswoman

testing and inspection company, profits. By contrast, since 1990 has a problem. Her reputation as Switzerland's only really successful businesswoman in a largely male world is under threat - and she has only herself to blame.

In 1989, at the age of 34, she led a shareholder revolt to oust Patrick Rich, the company's British chief executive, and most of the board, including three of Switzer-land's most powerful business networkers: a former chairman of Union Bank of Switzerland, a former governor of the Swiss National Bank, and the then president of the Swiss Bankers Association.

Mrs Amorini, granddaughter of one of the founders, took over as chairman, scrapped the previous diversification strategy and handed the running of the company to Claude Goldberg, an SGS all members of the

employee of 45 years standing.
The palace revolution was hailed variously as a welcome awakening of shareholder activism in a country where the big banks had traditionally had an unhealthy level of corporate influence, and a rejuvenation of a 111-year-old company that was in danger of dissipating its world- in a Pakistani corruption scandal class franchise through ill-judged diversifications.

Mrs Amorini started well. She has raised SGS's dividend every year since she took over, boosted operating margins and led the fight to change the Swiss legislation hindering share buy-backs.

Swiss Market Index of Swiss over 30 years, has resigned and

4.27%

Elisabeth Salma Amorini, the wealthy chairman of Société Générale de wrong. In the 1960s SGS trebled Surveillance, the world's biggest its fee income and quadrupled its

while net profits are up 26 per over SGS's sluggish growth have been compounded by questions about the company's stewardship responded to the problem. of its most valuable corporate

the quality and quantity of grain has highlighted weaknesses in shipments from France, has grown into the most powerful organisation of its kind by offering impartial and independent advice to importers and exporters

Decisions are taken collegially by group executive

board

its subsidiaries had been named have raised questions about its business ethics.

SGS was bired to curb customs fraud in Pakisten. But it has since emerged that it paid millions of dollars into offshore bank accounts controlled by the huaband of Benazir Bhutto, Pakis-But SGS and Mrs Amorini have tan's former prime minister, to since lost their star rating. Prof- secure the contract. Hans its fell in 1997 for the first time in Fischer, head of SGS's governseven years, and SGS was the ment contracts business, who field. worst performing share in the had been with the company for

Cotecus, the subsidiary at the centre of the Pakistani allegations, has been sold.

SGS confirmed in December that it had paid a Geneva lawyer a substantial commission to "start up" the Pakistani contract and that it had identified "certain irregularities" in its procedures. SGS does not believe that it engaged in any criminal wronggrown by just under 60 per cent doings but Mrs Amorini is very conscious of the damage such cent. More recently, concerns stories can do to SGS's reputation. Analysts have applauded the swiftness with which she

However, whatever the rights asset: its reputation for honesty and wrongs of the Pakistan saga and integrity. - and SGS's side of the story has and integrity.

SGS, which started by checking not yet been properly heard - it SGS's top management, and in particular Mrs Amorini. She was chairman of SGS when it bought Cotecns in 1995 and the fact that it took an investigation in Pakistan to alert SGS to problems in its own management structure raises questions about Mrs Amorini's leadership.

Since she became chairman in 1989, almost all the senior management team have either left or retired. SGS bas had two chief executives - the last survived little more than a year - and since 1994 Mrs Amorini has effectively done the job herself, although she does not regard herself as a chief executive.

rigid lines of reporting, decisions are taken collegially by all memboard, of which Mrs Amorini is president. "My voice is not higher or lower than the others," she has said. This decentralised management style is designed to encourage a more entrepreneurial spirit among SGS's near 40,000-strong workforce, all but 400 of whom are based in the

However, it has its drawbacks. SGS has been slow to sort out the



Amorini: SGS might benefit from a full-time chief executive

underperforming parts of its decision last week to renew business, such as US loss adjust-Rather than have a CEO with can harness the power of its unri-risid lines of reporting, decisions valled network in more than 140 countries to achieve critical mass bers of the group executive in faster-growing, higher quality inspection businesses, such as environmental and non-

The problems in Pakistan, combined with the loss of other highprofile government inspection contracts, suggest that SGS has become overly reliant on highmargin but low-quality government contracts in politically

sensitive parts of the world.

SGS's pre-shipment inspection ing, and it has yet to prove that it contract for another year suggests that the Pakistani allegations have not yet seriously tarnished SGS's independent image. Nevertheless, nearly a decade after Mrs Amorini seized power, there is a growing feeling abroad that SGS's recent problems and sluggish growth might benefit from the attention of a full-time chief executive. A group executive board presided over by the company chairman, who also happens to be one of the biggest shareholders, is not the best recine for the management of what

The Philippine government's should be a growth business.

The fault in this logic was pointed out by Jason Catlett, founder of Junkbusters.com, a to combating the rising tide of spam. Dr Catlett, formerly a professor at the University of Sydney and a researcher at now it is "Fly The Pint". tion of duty free next year," says aircraft. "I've no doubt that argues that the marginal cost of Passengers on Ryanair. Charlie Clifton, Ryanair's direct before long all our aircraft will be sending junk e-mail is simply too

> per cent - leaving the remaining Ryanair has built its success on 99.99 per cent of recipients angry leaving the spanner better off

This is partly because the market price of e-mail addresses "harvested" from the web or

TIM JACKSON

Spammer in the works

A new US approach to curbing nuisance e-mail raises big issues but makes good sense

To people who think of California as the source of the most weird and wonderful trends of the late 20th century, the news that members of the state's legislature have introduced a bill on "spam" - msolicited junk e-mail - will come as no surprise. But the bill raises some fundamental questions which should concern every internet user.

At first sight, spam hardly seems a serious enough issue to prompt a grab for the statute book. Many internet users receive half a dozen messages day, wearyingly familiar in their offers of get-rich-quick schemes, or their guarantees to reveal the secrets of how to promote a web site successfully. It rarely takes more than a second to identify each message for what it is, and rarely more than a couple of keystrokes to consign it to

electronic oblivion. By comparison, the physical junk that is carried in the mail to our letter-boxes every day is a great deal more inconvenient. I estimate that half my daily postbag is rubbish, which requires effort and space to

throw away. Until recently, I believed that spam, like standard junk mail, would wither away as technology improved. Since junk is by definition mail that you do not want to receive and have no intention of responding to, it is also mail that is a wante of money to the sender. I used to think that improving database technology and targeting would make the sending of unsolicited mail less attractive.

lobby group and web site devoted sending junk e-mail is simply too economics to apply.

gathered with the address owner's consent. But it is also because of an economic externality. Since spammers routinely send out mail using false reply addresses, they never suffer the costs of the annoyance

they cause.
As a result, a mailing can have a clearly negative effect on the general happiness - causing many times more pain among those who do not want it than pleasure among those who do without this net loss appearing in

the accounts of the sender. Hence, perhaps, the Californian legislation. Instead of trying to tackle the spammers directly for instance by requiring them, as earlier attempts at legislation have done, to tag their mail clearly as advertisements, or to provide a real return address on pain of criminal prosecution the bill attacks the problem from a point of view of civil liability.

It allows internet service providers (ISPs) to establish their own policies on junk mail, and gives them legal backing in suing mallers who contravene these policies. So a spammer who defies the rules of an ISP by using one of its addresses to send outgoing junk, or by sending incoming junk to a list of its subscribers, could be liable for \$50 per violation or up to \$15,000 a day. This may sound excessive. But it is worth remembering that ISPs have suffered measurable economic harm from spanners. Some have found their servers overwhelmed with incoming junk messages, making it impossible to carry normal traffic to and from their customers.

Others have found that the bogus use of addresses on their systems has caused them to be blacklisted so that their hopes customers are unable to exchange mail with parts of the outside world. Even AOL, the world's biggest online service, carries a heavy daily overhead of uncolicited traffic that costs it money without bringing in

compensating revenue.

Generally, it makes less sense internet then to apply and extend legislation governing pre-cyberspace activity to the new forms of communication made possible by the net. So California's state government will be wise to ask tough questions about why the new rights and liabilities defined in this bill cannot be achieved using existing legislation. But the approach of using the civil, rather than the criminal, law to do away with this kind of nuisance is one that makes perfect sense.

tim.jackson@pobox.com



MARKETING FLYING ADS

Giant billboards in the skies

Kieran Cooke on Ryanair's decision to carry advertising on the outside of its aircraft An advertiser pays between \$120,000 and \$140,000 to place the

Troppet "Fly The Flag" - sources in advance of th the Irish low-fares airline, might be surprised to find they are sit-

advertising market is Kilkenny drinks group. One of Ryanair's B737s has been painted to resemcraft's nose.

in our search for new revenue Ryanair to advertise two of Europe.

Kilkenny is the third brand to structure," says Mr Clifton. beer, a brand in the Guinness take its message to the skies on a

its British newspaper titles. aboli- company colours on a Ryanair Charile Clifton, Ryanair's director of ground operations.

before long all our aircraft will be sending junk e-mail is simple tor of ground operations.

before long all our aircraft will be sending junk e-mail is simple tor of ground operations. A small number of aircraft in Ryanair also plans to offer adverting inside a giant glass of beer. the US have been branded with
Ryanair is painting its 20 aircraft into flying billboards. The
it is the first airline in Europe to
least recruit to the statement makes a spanner can send head rests and on staff uniforms.

Such ad revenues are vital in
least recruit to the statement makes a spanner can send head rests and on staff uniforms.

The statement of latest recruit to the airborne offer advertisers such a service. order to maintain our low fares | can be below one hundredth of 1

Ryanair jet, Jaguar cars has used "low fares, no frills" flights on Ryanair for advertising since late routes between Ireland and "low fares, no frills" flights on at their wasted time - and still ble a pint of Kilkenny, a frothy 1996, with one of the Irish Britain and is moving into the than not sending out the mailing. head of beer covering the air- airline's aircraft painted British wider European market. The airaft's nose.

racing green, the silver company line, which carried 5m passeniguar on its side. News Internagers last year, operates on 28 rate advertising is another step tional, the media group, uses scheduled routes throughout, from news groups is so far below

CONTRACTS & TENDERS

Invest in Romania!

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 6, Stavropoleos Street, sector 3 is offering for sale by direct negotiation according to the Government Urgency Ordinance no.88/1997a 67.515 % of the issued share capital of MTS SA Targa Securior.

- Registered Office: Târgu Secuiesc, Str. Fabricii ur.7, jud Covasna.

 Fiscal Code: R 557010.

 Registration no. at Commercial Register Office: J14/7/1991.

 Issued stock capital, according to the latest records at the Commercial Registrer Office: 28,885,300 thousand, ROL.

 Turnover in 1996: 27,547,322 thousand, ROL.

 Net profit in 1996: 419,313 thousand, ROL.

 Main scope of activity: metallic construction and metal product industry

Total number of shares at a nominal value of 25,000 ROL each: 1,155,412. The share ownership structure is as follows:

O State Ownership Fund
O Praencial Investment Company
O Shares assigned through public offer
O Shares assigned through public offer

The offer for the 67.515% issued share capital, i.e. 789,686 shares is 8,432,730 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Pand, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the international Relations Department, Bucuresti, Str. STAVROPOLEOS, nr.6, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., till the deadline 20 March 1998 at a price of 1,180 USD for foreign citizens or legal emities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal emities.

This sum has to be transferred in advance to the State Ownership Fund accounts; no. 2511.0000000242.3.00008 in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 2511.0018.0000607 in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors. The minimal environmental conditions accepted for MTS SA Targe Securiors are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on presentation of: a copy of the payment order for the presentation file;
identity card (or passport for foreign citizens);
Certificate from the hadding company.

In order to participate in the negotiations, bidders are required to present evidence of puring at the Seller's disposal a guarantee of a participation i.e. 1,957,890 thousand ROL or 252,982 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account to 2511.009,809,00313 at the Romanian Bank for Development - Buchures Branch to the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash, in the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash, in the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash, and the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash, and the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash, and the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash and the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash and the State Ownership Fund, to account no. (BRD-SMB); foreign citizens or legal entities may pay cash and the State Ownership Fund.

Bidders should submit the PURCHASING OFFER and the documents scipulated in the section C of the PRESENTATION FILE to the State Ownership Fund, Offers Division at the above mentioned address, in a scaled cavelope, prior to 30 March, 1998, 16.00 hrs. (from deadline for submission).

CONTRACTS & TENDERS

Invest in Romania:

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP PUND, a Romanian public institution based in Bucharest, 6, Stavropoleos Street sector 3, is offering for sale by direct negotiation according to the Government Urgency Ordinance no.88/1997a 50.995 % of the issued share capital of SC FIBREX SA Savinesti.

- ☐ Registered Office: Savinesti, Str. Uzinei nr.1, jud Neamt. [] Fiscal Code: R2614597.
- ☐ Registration no. at Commercial Register Office: 1/27/00025/1991.
 ☐ Issued stock capital, according to the latest records at the Commercial Register Office: 193,329.300 million, ROL.
 ☐ Turnover in 1996: 235.040.767 million, ROL.
- D Net profit in 1996; 2,954,995 thousand, ROL.
- Main scope of activity: production and distribution of polyamide fiber

Total number of shares at a nominal value of 25,000 ROL each: 7,733,172. The share ownership structure is as follows:

O State Ownership Pund
O Francial Investment Company Moldova
O Share owners through mass privatization
O Shares assigned to the manager
O States assigned through public offer



The offer for the 50.995% issued share capital, i.e. 349,586 shares is 37,596,676 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE OFFERS DIVISION of the International Relations Department, Bucuresti, Str. STAVROPOLEOS, nr.6, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs. till the deadline 03 April 1998, at a price of chase date for Romanian chizens and legal emities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian chizens and legal emities.

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 2511.0000000242.3.00008 in USD at the Romanian Bank for Foreign Trade (BANCORSX) for foreign investors, or no. 2511.0018.0000607 in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors. The minimal environmental conditions accepted for SC FIBREX SA Savinesti are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on presentation of:

a copy of the payment order for the presentation file;

identity card (or passport for foreign citizens);

Cartificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of a participation i.e. 8,731.076 million ROL or 1,127,900 USD as follows: Romanian chizens or legal entities may pay cash to the State Ownership Fund, to account no. 2511.000,809.00313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal entities may pay cash, to the State Ownership Fund, to account no. 2511.0000000242.3.00008 in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 60 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated in the section C of the PRESENTATION FILE to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 13 April, 1998, 16.90 hrs. (from deadline for submission).

BUSINESS EDUCATION CORPORATE UNIVERSITIES

Universities spot a business opportunity

Partnership is the way forward for corporate learning writes John Authers

Record numbers of US employers are forming strategic alliances with business schools to ensure that executive training is relevant and

The trend is revealed in a survey of 100 deans of "corporate" universities - training institutes run by companies for their staff. The survey was sponsored by the AACSB, the accrediting body for US business schools, and carried out by Corporate University Xchange, a New York-based consultancy.

Most importantly, it suggests ness schools should treat the rise of corporate universities as an opportunity rather than a risk.

Joseph Alutto, dean of Ohio State University's business school, one of the largest US public business schools, says: "The potential impact of corporate universities is very broad. There are many different forms which it have links with executive educacould take. One is the develop- tion units, with another 15 per ment of an MBA programme cent planning to form such a link which is company specific. Another is an industry-specific MBA programme, as is often seen

This would involve quite a desire to become a profit centre

change in direction for US business schools, which have traditionally followed a path of encouraging generalists.

Some corporate universities are attempting to develop degreeawarding powers themselves. But the survey suggests a decisive shift in corporate universities' thinking towards developing joint degree programmes with institutions of higher education, according to Jeanne Meister. chief executive of Corporate University Xchange.

Forty per cent of corporate universities plan to grant degrees in partnership with accredited higher education institutions. mostly in business administration, computer science, engineering and finance.

The interest in alliances that deans of conventional busi- includes education establishments at all levels. Almost two thirds of corporate universities have an alliance with an undergraduate college offering threeor four-year courses. By the end of next year, this number is planned to rise to 78 per cent.

A further 32 per cant of the corporate universities surveyed

within the next two years. Alliances underpin a new emphasis in companies' policies, according to Ms Meister. "The



among a growing number of corporate universities". If they are to be self-funded, they need to explore new ventures with outsiders to supplement their corporate education budget, rather than embark on the much more expensive route of gaining

degree-awarding powers in their The degree route has been followed by Arthur D Little, the consulting firm with its school of management in Boston, but by

The emphasis on profitability has made corporate universities much tougher customers, says Ms Meister.

nearby school which they knew. important factors listed in this

for the organisation has surfaced learning", and "performance measures". Also high on the corporate deans' list of priorities is a desire that their partner should

"share risks". Therefore, the trend is likely to have quite an impact on the way their conventional allies organise themselves, even if corporate universities represent more of an opportunity than a threat.

Corporate universities' internal practices are also changing. One important trend, which could contain costs, is the experimentation with technology. The greatest interest is in

using corporate intranets for learning programmes; these will account for more than a third of While they once settled for a all training delivered by technology at corporate universities. Beyond corporate intranets, in

survey included "flexibility and another two years corporate responsiveness", "technology for deans said they were interested

in virtual reality and interactive distance learning as the two mediums that could grow in

Half of the deans questioned have alliances with distance learning vendors, a figure due to rise to 78 per cent. Only 16 per cent have links with internetbased universities, but this is due to rise to 62 per cent.

The survey covered 90 deans from the US, where the concept of corporate universities has so far proved most popular. It also included a further 10 representatives of corporate institutions in | managers in the international South Africa, France, Germany, the Netherlands and Venezuela The 1998 Survey of Corporate University Future Directions, was conducted by Corporate University Xchange, 381 Park Avenue South, Suite 713. New York NY 10016.

Never mind the ranking, feel the quality

Money is not everything for MBA graduates who want to join management consultancies. Students at America's top business schools do not necessarily think the most prestigious firms are the best places to work, according to a survey conducted by Kennedy Information, of Fitzwilliam, New Hampshire, which specialises in information on the management consulting and executive search professions.

McKinsey & Co. for example. ranked top in both the prestige and compensation categories but came anly 55th out of 60 in the quality of life category. Only one out of the consultancies that ranked in the top 10 for either prestige or compensation also ranked in the top

10 for quality of life - the Boston Consulting Group. The survey consulted 800 MBA

students from 24 schools. Kennedy: www.kennedyinfo.com

Thought for food

Paris may not seem the ideal place to study agriculture, but next month the Paris business school Essec will launch an MBA programme for

agri-food business. The 11-month course has been developed in conjunction with leading agri-food groups such as Nestlé. Monoprix, Yoplait and Mars. It will begin in September.

In April 1997 Easec became the first business school in Europe to be accredited by the US accreditation body, the AACSB, Essec: www.essec.fr

Upward and outward

Heniey management college, in the UK, is to run a series of free seminars on personal development at its new London campus in Regent's Park. The first, on Monday April 20, will be on stress management. Future seminars will include leadership and BLWVIVIII.

Email: lyndseym@henleymc.ac.uk Leadership and survival will be high on the agenda on the Challenging Leadership course run by the Association of MBAs in conjunction with Outward Bound

Professional in the UK. The workshop, from April 17 to 19, will include time in the classroom and time outdoors, although the association insists that the programme has not been designed to challenge levels of fitness. Email: p.glason@mba.org.uk

Spanish warm-up

To persuade more non-Spanish speaking businesspeople to become involved with Latin American businesses and to study for an MBA, the instituto Empresa in Madrid will provide free "warm-up" Spanish essons for new students on its international MBA programme.

The programme is taught in English for the first two terms and then Spanish for the remaining 15 months. The preliminary language courses start in September and the MBA classes in October. Email: miguel,costa@ie,ucm.es

Chicago

moves Chicago business achool's deputy dean Robin Hogarth is to return to reaching from July. Prof Hogarth is in charge of the full-time MBA programme at Chicago.

His position will be filled by Mark Zmilewski, one of the two other deputy deans at the school who is currently in charge of the part-time MBA programmes. He will be replaced by Gary Eppen, who has been on the faculty for 34 years, Chicago: www-gsb.uchicago.edu

Thatcher's chair

The Judge Institute of management studies in Cambridge has received final approval to set up a chair of enterprise studies with 22m from the Margaret Thatcher Foundation.

The donation was approved by the iniversity's various bodies without dissent, in spite of concerns that some academics would vote against scoepting money from such a controversiat UK prime minister. Judge Institute: UK, (0)1223 339700

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POTTED GURUS FREDERICK WINSLOW TAYLOR

The man who made production fall into line

individual could lay claim and its management. to the title "father of management". But Frederick Winslow Taylor would be one of the

He was one of the first to measure effectively human performance in industrial production, so turning supervisors into managers. Whether this was good or to secure the maximum prospernot has been debated ever since. From the start Taylor was feted the maximum prosperity of each actions that could be by some and reviled by others for employee." But the idea that he measured and organised into

It is doubtful that any the way he systematised work individual could be claim and its

Taylor, born into a Philadelphia Quaker family, always defended his work by claiming he was trying to improve the working conditions and living standards of fellow employees.

"The principal object of management," he wrote, "should be ity for the employer coupled with

appreciated by many of those reduced to exhaustion hauling pig iron in his experiments designed to test the limits of human output.

> It was Principles of Scientific Management, published in 1911, which established Taylor as the founder of "scientific management", the practice of breaking down tasks into their constituent

more efficient production

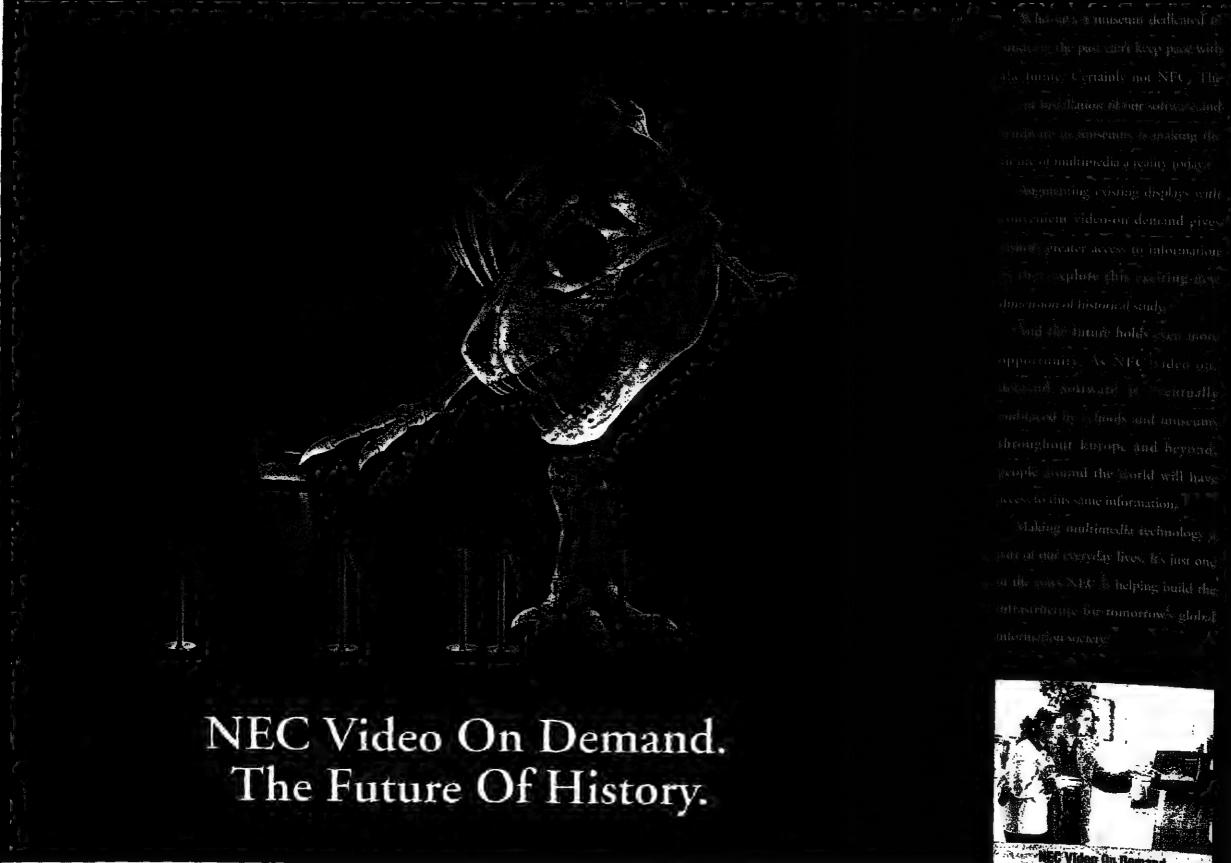
Taylor did not invent the moving assembly line. But Henry Ford's construction of a produc-tion line for his Model T Ford in 1913, adopting scientific management techniques, was arguably the most important development in manufacturing of the 20th

Does Taylorism exist today? In the sense that work is timed for the purposes of organisation and

incentives, yes. Taylor might well have looked on the expanding use of call centres, where employees are closely monitored and timed, with approval.

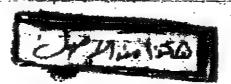
Richard Donkin

Further Reading: Scientific Mangement, Harper & Brothers, 1947: The One Best Way, Frede rick Winslow Taylor and the Enigma of Efficiency by Robert Kanigel, Viking, price \$34.95.



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Simple case of mix and match

What has the personal computer industry got to teach the world of lift trucks? The answer is a lot, according to Hans-Peter Schmohl, chairman of Germany's Jungheinrich, the world's fourth biggest lift truck maker.

While the two sectors appear very different, both sets of machines can be regarded as commodities. Computers are used to handle information in the office. Lift trucks do the same with goods in the factory or distribution yard. Apart from some specialist

types, one personal computer looks and feels to most users just like any other. Much the same is true of lift trucks - basic principles of which have changed little over the past 40 years. What differentiates competing

products in both industries is not so much specific manufacturing features but the "service" aspects. These involve software and telephone back-up for computers, and rental terms and spare parts for trucks.

Because of its special characteristics, the computer sector is ahead of most other industries in moving towards "virtual" manufacturing. Much of production is left to outsiders. The biggest computer suppliers concentrate instead on product development, component purchasing, logistics and customer support.

Mr Schmohl says the lift truck industry is on much the same path. It is a highly competitive sector in which about 20 large companies worldwide battle for shares in a market worth some DM30bn (£10bn) a year.

He believes the day may not be far away when the biggest lift truck makers leave manufacturing to a relatively small number of highly efficient and flexible factories, some of which may be operated by competing lift truck

suppliers, or in joint ventures. The plants would rely on subbasic parts. Lift truck companies heavily than they do now on the tine maintenance or even, as is makes only engines, though the happening in some parts of the partnership could be extended to industry, supply of drivers hired out daily to go with a rented

"In the next five years we, and share, Mr Schmohl is considering



nies, will become more of a service company rather than one whose primary business is to make things," says Mr Schmohl. Jungheinrich, with sales last year of DM2.3bn, is ahead of most other lift truck makers in these trends. It already makes some lift trucks for sale in Europe for

ping from Europe or extending Jungheinrich's small plant in Virginia. He is keen on a joint venture in which an existing US lift truck maker might agree to make Jungheinrich trucks on its own production lines.

Some observers believe Jungheinrich may be interested in such Komatsu, its Japanese rival, a collaboration with BT Indus-

The day may not be far away when the biggest lift truck makers leave manufacturing to a relatively small number

of highly efficient and flexible factories

uses to make its own trucks. venture in the Czech Republic Jungheinrich's than probably contractors for most of their with Linde, another German another big lift truck business. company, which is Europe's big- BT's US-based Raymond division biggest competitor to Junghein-"downstream" aspects away from . rich, which is number two in Europe. At present the factory make other parts or even complete trucks. In the US, where Jungheinrich has a small market

using the same highly flexible tries, a big Swedish lift truck production line in the UK as it maker that has two plants in north America and whose manu-It has a joint manufacturing facturing philosophy is closer to Bready makes lift: trucks in "spare" parts of its production lines for the US divisions of rivals including Toyota and Mitsubishi Heavy Industries, two big Japanese truck makers.

> Mr Schmohl, a manufacturing engineer who has been at the helm of Jungheinrich for two years, reckons his company is in

probably other lift truck compa- ways to boost sales beyond ship- a better position than most lift truck makers to benefit from the shift to "virtual" manufacturing because of its efforts to revamp its production processes.

> It has spent DM100m since 1995 moving its plants in Europe closer to a computer-style assembly process in which much of component production is outsourced to subcontractors. The process has halved the time taken to make a typical product to five weeks, and should lead to a 10 per cent saving in manufacturing costs in two years, equiva-

lent to DM100m a year. New product development has been reorganised around common "platforms" - in which Jungheinrich trucks to suit a variety of applications are based on a small number of basic structures devised by 350 design engineers in Germany, France

and the UK.

Through this process, manufacturing is simplified, making it easier to "mix and match" production of different types of machines, some of which may be sold under another maker's badge - a similar process to wha occurs already in parts of the computer industry.



RALPH ATKINS **FILE FROM HANOVER**

Trade shows display a Prussian flair for fairs

The German enthusiasm for giant commercial exhibitions is as strong as ever, even in an age of electronic communications

From the turret-top restaurant high in the sky, the perimeter of the sprawling exhibition site merges with the horizon. Below, a stream of lorries unloads pallets, partitions and crates into two dozen giant show halls.

Plastic wrapping is not yet removed, nor cables connected. By Thursday, however, preparations should be completed for "Cebit", the biggest exhibition in the world. Almost 7,300 exhibitors will fill the equivalent to 90 football pitches. Some 600,000 visitors will clog the surrounding roads, cram into the city's hotels, and feed from themselves at 42 exhibition onsite restaurants. A thousand public relation boasts will fill iournalists' notebooks: countles

more business-like handshakes will seal deals or partnerships. But Cebit - the office, mformation and telecommunications fair - is only part of Germany's Messe (exhibition) madness. Capacity is being added almost daily to Germany's 21 large-scale exhibition centres, which already

have 2.3m sq m of hall space. Visitor numbers rose to 10m last year, 9 per cent more than in 1996. Three out of the four biggest exhibition sites in the world are in Germany. As Klaus Goehrmann chairman of Deutsche Messe, the

company which runs the Hanover site, says, the German love of industrial fairs is undying - even in an age of electronic communication.

"They like to see, feel, even smell, fully functioning systems. They want proof - to see that the product really works."

The German executive feels at ease in the semi-formal setting of a trade exhibition stand. "He likes the direct contact. He likes the handshakes. He likes to look into someone's eyes and ask,

Can I trost him? Cebit is the perfect example. It is Dianeyworld for corporate information technology experts. The venue has its own high street abops, station and heliped. Stands are built up to four stories high, complete with lifts. They have their own conference and negotiating rooms, their own

coffee bars, kitchens and restaurants. And on the top of the plushest are roof-top private dining rooms lit late into the night. "They are like houses. You are at home. You talk and then you go up for a meal," says Prof

Some companies bring their entire management board, providing an office suite for each member. Deutsche Telekom, the telecommunications giant and this year's largest Cebit exhibitor, has booked 8,000sq m and will send 600 staff for the week-long fair.

They like to see,

feel, fully functioning systems. They want to see that the product really works'

foreign visitors. But an exhibition mentality has been ingrained in Germans since the Middle Ages. The word Messe derives from Mass; the Church having provided the first meeting places for commercial traders. In Hanover the tradition dates from the end of the second world war when Leipzig, the historical centre of the German exhibition industry, fell behind the iron curtain. (Leipzig, however, remained an international meeting point during the cold war, providing rare and sometimes illicit dealings between the Communist bloc and the west.) The first Hanover trade fair was ordered in 1947 by General Brian Robertson, commander-in-chief of the British section of occupied Germany. Its prize exhibits included the world's smallest dissel engine and patented trouser buttons. Cebit was spun-off in 1986 from the main Hanover fair.

DOW as big. Prof Goebrmann sava running mega-exhibitions suits Prussian organising instincts: they are a chance to meet large numbers of contacts and clients in a small number of days under one roof (or at least on the same exhibition site). "People think

that exhibitions are about emotions. But they are very efficient. You are forced to negotiate fiercely because you

don't have much time," he says. The real test of Germany's prowess will come when Hanover hosts Expo 2000, the world millennium exposition. It is more of a challenge than it might seem. Germany might be brilliant at displaying machine tools; a successful international celebration of the next 1,000 years will require wit and showbiz - not hitherto regarded as the country's strongest points. Some 169 nations are expected to take part in Expo 2000, the first such world showpiece hosted by Germany. Based on the 1992 Seville exposition, it is likely to

attract 40m visitors. For now, all that is visible of Expo 2000 are the cranes building the additional halls that will be needed. It is not the only development area in the German exhibition industry. Last month Munich opened a new DM2bn (£600m) exhibition centre; Dusseldorf, in the industrial heart of north-west Germany, last week announced plans to

hold annual wine shows (despite the lack of local grapes). Can even the Germana continue to fill all the halls? At the Munich opening, Roman Herzog, German president. described the country as the exhibition centre of the world... You can of course question whether it does not have too many [exhibition centres). But it is not a case of too many cooks spoil the broth. In fact the opposite is the case. Competition stimulates the

business." He could have added that it was a captive market, Industrial Messe madness is hard to escape. Earlier this year, Vobis, the German computer retailer. announced it was rebelling and would not have a stand at Cebit 1998. Cebit's focus on trade professionals, rather than private customers, meant that for Vobis "It was not the right environment"

But Prof Goehrmann is unworried; the pull of Cebit is so great, the cost of not being there too high. "We have had similar situations in the past, where somebody says 'we won't take part in Cebit'. They get all the newspapers writing about them. But they come back."

BUSINESS EDUCATION

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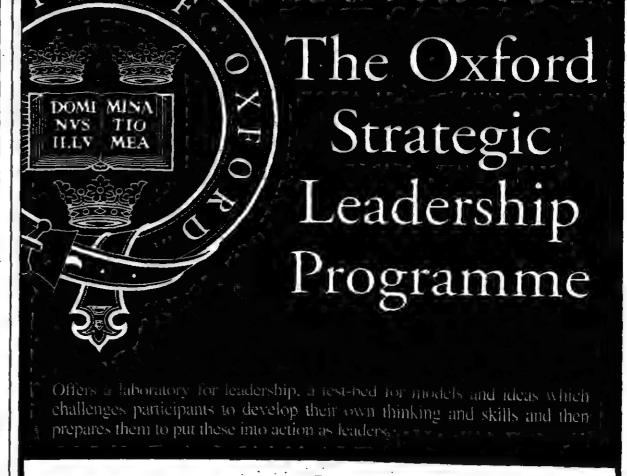
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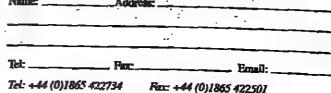
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with up to two hours for a long-

haul flight at Gatwick or Heath-

row. There are no more lengthy

baggage screening queues. All

"Heathrow is still very popular

this makes up for the longer

because of the large range of

flights, but an increasing number

of our business travellers are opt-

ing to fly via Bristol," says Kevin

flights and connection time.

zig and Paderborn.

For the passe

European travellers are starting long-haul trips from regional airports because it can be cheaper and more convenient, says Amon Cohen

There was outrage at nonetheless increased its Heath-Bristol airport in the UK row-Charles de Gaulle flights last lest month when the car park tariff shot up by one-third overnight. This sounds scandalous until one realises that the UK make a long-haul connection new daily charge for the at Charles de Gaulle, a figure ris-"long-term" car park (two minutes' walk from the terminal) is the princely sum of £3.75. That compares with £10 a day for the NCP car park or £16 for the Pink Elephant business car park at London Heathrow.

This contrast is one of many between regional and principal airports, and helps explain why more European business travellers are starting long-haul journevs from their local base. It can be more convenient or cheaper and usually both.

Selecting the regional option frequently means flying via a hub in another part of Europe, as these often have better connections. Brussels and Amsterdam have highly developed international feeder services. KLM and its subsidiaries, KLM UK and Transavia, fly from 21 airports in the UK to Amsterdam. In addition, EasyJet flies from Luton and Suckling Airways from Cambridge. Compare that with Heathrow, which serves only 11 UK airports, and Getwick, serving 13.

The airlines at Euro-hubs carefully plan their schedules to connect to long-haul flights with minimal waiting time. They construct a wave system, where batches of local flights arrive at the sirport at about the same time, with the long-haul flights scheduled to depart one to two hours later. KLM recently increased its daily waves from three to five, while Air France operates six from Charles de Gaulle, neer Paris.

Air France attributes much of its return to profit in 1997 to its success at developing Charles de Gaulle into a Euro-hub, from which it offers 5,300 weekly connections. Connection times range from 45 minutes to two-and-a-half

Even though it has lost much of its point-to-point traffic between Loridon and Paris to Eurostar, the French carrier

travel agency group. Travelling to Heathrow is more and more subject to disruption and using the airport is generally much more stressful."

Another supporter of regional airports is Henning Skovmose senior vice-president for legal affairs at Lego Group, the toy company based next to Billund airport in Denmark. Mr Skovmose is as likely to fly long-haul from there via Amsterdam and Frankfurt as via Copen-

greater numbers from Germany Mr Skovmose could take the Venice Bologna, Florence and train to Copenhagen for a long-Pisa. KLM also draws travellers haul flight but, he says. "I still from Germany, with flights on its prefer to take two flights from Billund. It means I can get rid of partner, Eurowings, from small the luggage at the start of my journey."

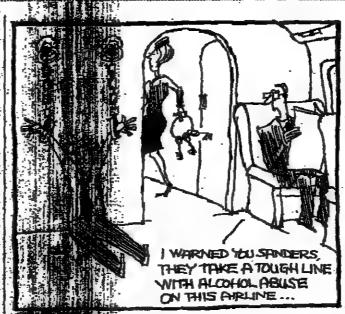
Else Marie Madsen, Lego travel: All this s manager, is also happy to see Mr. Skovmose fly via foreign airports, extra for the domestic leg or in the journey. The same is true in the UK: fly from Glasgow to Bangkok in modern and you effectively because it often saves paving one domestic and one international. Fly via Schiphol (10 min-

utes quicker) and you pay less. orten offer incentives to win passengers. For instance, until April 230 Air France is offering free ingrades from full-fare economy business class and from the control of Since connecting long-haul flying to India or the far east? from airports it serves in the UK.

The same principle means that Euro-hub airlines are more likely to offer cheap, consolidated fares in business class as well as econ-Abbey, managing director of Bak-ers Dolphin, the west country carrier rarely does and it can save as much as 50 per cent,

Going further to save time and mo Time and cost comperison: Bristol-based traveller figing be

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In stance the state it both to keep

them when they get out of con-trol. About a third or more of airline passengers are apprehen-sive about flying and the most effective remedy is alcohol.

Equally, the passengers weicome a chance to relax and indulge in alcohol. "There is a tendency for business traveller to consume more alcohol when they are away from the restric tions of their office," says Chris Roythorne, chief medical adviser of BP, the oil group.

Stan Bromley, regional vice-president of the Four Seasons hotel group, was shocked by the airlines' policing policy. "Handcuffs are good," he says, "as long as you don't expect the gers to return as custom

"If the attendants treat them right and establish a rapport with them, 50 per cent of custom ers will return the next day and apologise for their embarrassing behaviour.

Many airlines shy away from confrontations, in the hope that they will resolve themselves. Lufthansa has a policy of not serving drunken passengers or allowing passengers to consume their own liquor in flight, infor mation that is pointed out in the inflight magazine.

The way forward is not to espouse extremes of overreaction or acquisscence. It is to educate the public on alcohol in the air.

The author is director of the Aviation Health Institute, & King Edward Steet, Oxford OXI 4EL,



Executives left to pick up laundry and mini-bar bills

European business travellers need to pack plenty of clean shirts, a new survey suggests. Almost half say their companies refuse to pay for Notel laundry, German companies as the stinglest, with 56 per cent of employees complaining they cannot put deaning bills on expenses. UK companies are more accommodating: nearly four out of the British executives said they

could claim for cleaning. And it is a good idea to check your company travel policy before raiding the mini-bar. More than half of those questioned said their companies would not cover such costs. The survey was conducted for Visa international in the UK, Belgium, France, Germany, Italy and Spain. It found that 72 per cent were unable to charge for evening entertainment while on the road and that the openses item most likely to be queried is the in-room video.

Secretaries on hand at the airport

Business travallers determined to milk every last minute from the working day can now hire secretaries Airport, KLM has set up the service in its business lounce, in co-operation with specialist company Executive Airport Secretary B-Lina. is available every day except Sunday from 7.30am until 7.30pm. Secretaries, who will perform tasks including word processing and feeting, are billingual in English and

Sitting comfortably to book on-screen

さい 一大大学 一大学 一大学 一大学

The latest version of Sabre's self-booking system allows travelling executives organising their own flights to see aircraft seating plans on their computer screens. They can upgrade to a higher class of service without calling the airline and enter frequent flyer scheme membership numbers when reserving hotel rooms or rental cars.

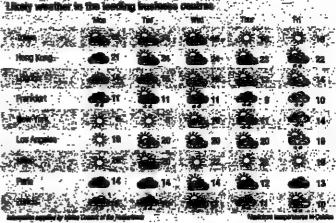
Called Sabre Business Travel Solutions, the system, which ensures users comply with company travel policy, is already available in the US. Selected customers in Europe should have the opportunity to use it from

A conference call for the internet

Nearly two-thirds of conference ars would book through the internet if facilities for doing so were more widely available, according to a survey by Hilton Direct. Asked what nents would make the biggest impact on their jobs, organisers placed faster and emoother communications during the eservations process at the top of their collective wishlist.

They were also asked what was most likely to bring them out in a oold sweet, inability to find hotel staff or management at crucial moments was cited by 42 per cent, noise from the event next door by 16 per cent, the breekdown of technical equipment by 14 per cent and food either late or cold by 10 per cent.

Roger Bray



Nolocal touch.



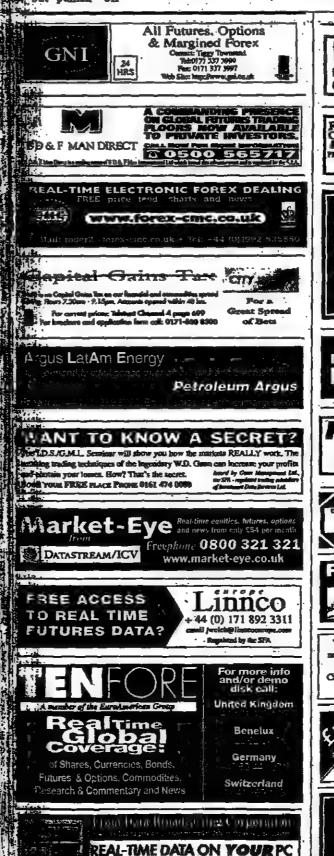
In search of a better correspondent in Turkish banking? We strongly recommend a cruly global parmer with none of the local dissonance. The only multi-branch Turkish bank awarded longterm A rating three years in a row by Capital Intelligence. The highest rated emerging market bank by Thomson Bankwatch. The Turkish bank whose high regard among international financial community generated \$1 billion in funding facilities in 1996 and \$930 million in 1997. The Bank that has completed several asset backed securitization

programmes with mattirities 3-7 years. The Bank that was selected as the "Best Bank of Turkey" by

Euromoney for 3 consecutive years. Then again, if you think your correspondent in Turkey should also have local, strength, who could be a better choice than bank that handles 12% of Turkey's exports and 6% of Turkey imports? A bank whose foreign currency business volume totaled \$22.9 billion in the first nine months of 1997. A correspondent bank with global standards and local power.

GARANTI BANK

For further information please compar Mr. Himms Akhan, Encounte Vere Per 63 Birrikdere Caddesi, Maskak 80670 Istanbul/Turkey Tel, Fan: 140-2121 285 40 40 Telen: 27635 gam





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Starting today, the Palais Harrach will be the venue for an extensive retrospective of Henry Moore. The exhibits rickade 50 sculptures from all periods of his Working life,

models for nonumental bronzes and 40 drawings. The Show runs until August. . LONDON

at the Royal ACEDOMY of Arts TOCUSES on the

Miller's production of Cost fan tutte at the Shaffesbury Theatre tomorrow. The stallan designer refused to allow his costumes to be altered for new cast members, leaving the Royal

Opera little choice but to look around for nagsable diamative Barbara Frittoli and inger Dam-Jensen are the newcomers, and the conductor is Colin Davis (far richti. The Art of Halv Russia, opening

great artistic flowering in. Moscow from the 15th to the 17th century. The exhibition, miving from Frankfurt, includes 50 icons (left) from the leading on Thursday, : museums in Moscow. On Thursday David Hare's

BOLOGNA The four-act Italian version of Serban originally staged in Geneva.

Judas Kiss, has its world pramiere at the Playhouse. A treatment of the Oscar Wilde story, it stars Liam Neeson (above), Peter Capaldi, and Tom Hollander. Richard Eyre

directs, for the first time since leaving the National Theatre in

Vendl's Don Canto opens at the Teatro Communale on Thursday, in a production by Andrei

> Eliahu Inbal conducts a cast headed by Vincenzo La Scola Daniela Dessi, Carlo Опіонфина или Риою

GHENT The first night of the Flanders Opera's new production of Tristan und Isolde is on

Wednesday, After three performances in Gherit, it moves to Antwerp on April 1, Silvio Varviso conducts a staging by Willy Decker, and the title roles are surn by Gary Lakes and

Art at the Time of the Accursed Kings promises to be the most dezzing offering of the 1998 Paristan art calendar. Opening at the Grand Palais on Friday, it: embraces the era of Philip the Fair and his sons (1285-1828). generally considered one of the most british periods of French

The Royal Ballet gives performances of Ashton's Cinderelle from tomorrow Regio, with Darcey Bushell (below) dancing the little role on Thursday Nextweek the company travels to Frankfurt. where the first performance is on

through Sunday at the Teatro



MUSIC THE CONDUCTOR SEUI OZAWA

Holding the baton in Boston

It remains one of the mysteries of "but he's not a good music direc-musical America: why are Seiji tor. He hasn't motivated that Ozawa and the Boston Symphony still together after 25 years? The relationship fell into a rut long ago, but Ozawa's 25th anniversary as music director will be celebrated next season with the kind of fanfare usually reserved for politicians and sports personalities.

Ozawa has held on to his post longer than any of the world's active conductors. Given the shuffling at other US orchestras, with three of the "Big Five" looking for a new music director. Boston must consider itself lucky to have someone of Ozawa's staying power. But even Ozawa's staunchest admirers could hardly claim he has achieved the mystical union Koussevitzky had with the orchestra, or a relationship comparable to Levine at the Met, Dohnányi at Cleveland and Rattle in Birmingham.

The Boston Symphony's latest tour, beginning in London on Wednesday, gives European audiences a rare opportunity to assess the chemistry of its relationship with Ozawa. Boston has a long tradition of culture, but the BSO is its only big artistic institution. Its music director is a civic personality. Ozawa's appointment in the early 1970s made conservative Bos-

Ozawa's cultural

the reasons why his

power-base in Boston is so strong

background is one of

ton look progressive: he was the first classical musician of Japanese ancestry to lead a major western

But like several others of his generation. Ozawa has not fulfilled his initial promise. With his big smile, broken English and fluid body language, he still oozes charisma and does well at the box-office. Technically the orchestra plays well for him. But his performances lack the relaxed expressivity and emotional commitment which are the key to interpreting the classical and romantic reper-

There have been rumbles of unrest between Ozawa and his players for years. The music director of a US orchestra wields a lot of power - especially in Boston, where the job also involves running the Tanglewood Music Center, the BSO's summer home. "Ozawa is a good musician," says a former member of the BSO's management, orchestra since the early 1980s. He takes ages to make decisions, he'll leave key positions vacant for years. That's not good for morale. It's impossible to read him - you don't know whether his mind-set is American one day or Japanese the

But Osawa's cultural background is one of the reasons why his power-base in Boston is so strong. Ozawa is a national hero in Japan; as the first Japanese musician to have won international recognition, he is a role model for tens of thousands. This status translates into money. Japanese corporations give millions of dollars each year to the Boston Symphony. NEC finances its tours; Sony coughed up \$30m for Tanglewood's Seiji Ozawa

That's one reason for keeping Ozawa where he is. In the US, the board - not the orchestra - decides who wields the baton, and the New England blue-stockings who govern the BSO are all Ozawa loyal-Ozawa himself is keen to stay.

The confluence of three events in

recent years - a nasty skiing accident, the death of his brother and his own 60th birthday - caused a sea-change in his life. It forced him to think about his musical legacy. That explains the recent upheavals at Tanglewood and his musical missionary work in Japan. One of es over the years has been his reluctance to assert authority: with his inbred oriental respect for age, he had felt intimidated giving orders to older musicians. He treated Tanglewood's teaching programme like an absentee landlord. His worst period was when his children were growing up: horrified that they were absorbing American culture to the point where they couldn't converse with

them back to Japan. His heart wasn't in Boston. Over the past five years, all this has changed. Gradually, the generation of orchestra principals he inherited from Munch and Leinsdorf has retired (only one, the timpanist Vic Firth, remains). Ozawa is determined his successor should inherit players of similar quality. and his latest appointments excellent new horn and flute principals - suggest he is succeeding. The strings have maintained their silvery sound; only the brass fall

their grandparents, he had sent

short of peak quality. The BSO is also steadying itself after a series of management crises. The first occured 18 months ago when the managing director, Ken Haas, suffered a stroke, result-



all last season. His place has now been filled by the dynamic young Mark Volpe. The problems at Tanglewood go much deeper. The teaching faculty, once the finest in the US, has long been in decline. Since the 1970s Ozawa has had titular responsibility but, partly out of respect for Bernstein, he rarely exercised it. When in 1996 he finally turned his attention to Tanglewood, he didn't like what he saw: the quality of students had fallen, and the involvement of BSO players in the teaching programme

was negligible. When Ozawa tried to change things, the old guard treated him like an interfering busybody. The dispute came to a climax last eutumn, when reputable musicians like Leon Fleisher, artistic director of the Tanglewood Music Center, accused him of being "self-serving and duplicitous". There was a lot of blood-letting, much of it in public. What intrigued commentators was not so much the problems at Tanglewood, which outsiders had

ing in patchwork decision-making long recognised, but the way it unpublicised visits to remote perts acted as a lightning-rod for anti-Ozawa sentiment inside and outside the orchestra.

That contrasts starkly with Ozawa's personality cult in Japan, which he is exploiting to the benefit of his country's musical life. Ozawa's work there suggests his heart is in the right place. Increasingly conscious that his father-figures - Bernstein in the US, Hideo Saito in Japan - left something of permanent value, he wants to do the same. The most obvious example is Saito Kinen, the festival Ozawa founded at Matsumoto in the Japanese Alps. Staffed by an orchestra of former Saito pupils, it has had an incalculable impact on young Japanese musicians. It has also encouraged Ozawa to develop his talent for opera, the one area of his work where he continues to grow as a conductor.

His last remaining mentor is Mstislav Rostropovich, with whom he shares the least known corner of his musical life; over the past six years the two have made short.

of Japan, to play in schools, hospitals and community halls which have no contact with western classical music. These "caravans" involve minimal planning. Such is their success that the experiment may be repeated in China and Rus-

The bottom line with Ozawa is that, in contrast to many other conductors, the public has not tired of him. His hair may be grey ing, but he still cuts a youthful agile figure. Ever since the early 1980s, the US musical press has been reporting on "why Ozawa will leave the BSO". Well, he's still there, and he's acting as if his work has only just begun.

Andrew Clark

Ozzawa conducts the BSO in Mahler's Sixth and Third symphonies on Wednesday and Thursday at London's Royal Festival Hall, followed by concerts in Paris, Vienna, Munich and

Baldwin takes on the Bard

NEW YORK THEATRE BRENDAN LEMON

Joseph Papp Public Theatre Broadsheet columnists in New York have been having

a field day lately trying to explain the local vogue for Shakespeare's Scottish play. for, following a storm of Tempests and a brood of Hamlets playgoers have spent the past year coping with a - coven? - of Macbeths. Whether the play's popularity, as some of these pundits suggest, owes any-thing to the disloyalty and "vaulting ambition" of Clinton-era politicians is debatable. Over the past months. New York has seen Macheth played as everything except a resident of the White

House. The latest, most high-profile New York Macbeth has just opened for a very limited run (to March 29) at the Joseph Papp Public Theatre. Because it features movie stars (Alec Baldwin, Angela Bassett) as its lead couple, and is being produced in the theatre's snug Martinson space, tickets are extraordi-narily scarce.

Those lucky enough to gain admission may not come away with any radical despair. new insights into the play, but that, one suspects, is the intent of this production's director, George C. Wolfe. if it does not, the actor, like Unlike his last Shakespeareen staging, of The Tempest, in which Prospero was less Duke of Milan than Duke of the Antilles, the main character here is essentially the one written by the playwright: medieval, Scottish. Wolf focuses less on the Macbeths' guilt for their many murders - of Duncan, Banquo, Lady Macduff than on the crimes' tragic

опапса. Since Wolfe has placed his actors on a plain, woodenplank stage, with only a curiously intrusive mirror as embellishment, nothing stands between the actors and the audience's enjoyment except a richly enacted reading of the text. In the first few scenes it is not clear whether this will be ecomplished.

mdone" assumes signal res-

Bassett is physically stunning and has a supple, altoregister voice but an unfor-

tunate habit of trying to e-nun-ci-ate every syllable. Her Lady Macbeth, however, is appropriately driven: there is no questioning the depths of her ambition and her commitment to achiev-

Baldwin's problem is not with the verse, which he handles with wonderfully clear authority, but with the emotional trajectory of his characterisation. He evinces so little weakness at the outset that it is difficult to believe that his wife would ever have to good him to action. And he has trouble summoning the requisite emotional resources to convey Macbeth's Act V empti-

It does not help that he delivers the famous "tomor-

Alec Baldwin, like the production, is never less than watchable

row and tomorrow and tomorrow" soliloquy while seated on his throne, which makes a banal point about the loneliness of exercising power rather than the more profound one about discovering the depths of one's

It may be that Baldwin's range will deepen as performances continue, and ever the production, is never less than direct and watchable.

The characters that really stand out in this production are the Macduff of Jeffrey Nordling and the Malcolm of Michael Hall. Their excellence is not immediately apparent, but their scene late in the play, when Macduff is informed of the murder of his wife and children and Malcolm urges him to inevitability. In this readconvert his grief to anger, is absolutely wrenching. ing, "what's done cannot be Nordling reacts with loud

initial wailing to the news and if he had continued in this vein the scene's power would have quickly faded. But as the reality sinks in Nordling does something wonderful: he becomes very still. He takes a moment for reflection. He shows us that the real horror is not only in hearing that his family has been taken, but in the quiet realisation that when he wakes up tomorrow - and tomorrow and tomorrow they will still be gone.

INTERNATIONAL

AMSTERDAM

CONCETTS Concertoebouw Tel: 31-20-675 4411 Rotterdam Philharmonic Orchestra: conducted by Valery Gergiev In works by Brahms, Mozart and R. Strauss. With plano soloist Stefan Vladar end soprano inga Nielsen;

Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Qedipus Rex and Psaimensymionie: Stravinsky double-bill. New, co-production with the Satzburg festival, directed by Peter Sellars. The conductor is Hans Vonk, and the cast includes Willard White; Mar 16, . 19, 22

BALTIMORE

CONCERTS Joseph Meyerhoff Symphony Hall Tel: 1-410-783.8000 www.baltimoresymphony.org Baltimore Symphony Orchestra: with percussionist Evelyn Glennie. Programme includes Christopher

Rouse's Der gerettete Alberich, Wagner's Slegfried Idyll and R. Strauss's Also sprach Zarathustra The conductor is David Zinman; Mar

BERLIN

CONCERTS Philharmonie Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by Philippe Herreweghe in Bach's Passion. With soloists Including Anne-Sofie von Otter and Matthias Goerne; Mar 17, 18 Berlin Philharmonic Orchestra: conducted by Daniel Barenboim in works by Lutoslawski and Tcheikovsky, Mar 21, 22

CHICAGO CONCERTS Orchestra Hall

Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: conducted by Oilver Knussen in works by Stravinsky, Lieberson and Knussen. With soprano Lucy Shelton and hom soloist Gail Williams; Mar 17

 Chicago Symphony Orchestra: conducted by Oliver Knussen in works by Mussorgsky/Stokowski and Knussen. With soprano Rosemary Hardy, Mar 19, 20, 21

DUBLIN EXHIBITINS irish Museum of Modern Art Tel: 353-1-612 9900 Andy Warhol: After the Party, Works 1956-1986. This first major showing · in Ireland of Warhol comprises some

100 works, drawn mainly from the

Warhol Museum in Pittsburgh and including early drawings as well as better-known works such as the Marilyn, Jackle and Campbell's Souo Can paintings; to Mar 22

LISBON

CONCERTS 100 Days Festival, Expo '98 Portuguese Symphony Orchestra: programme of 20th century works; Main Auditorium, Centro Cultural de Belém: Mar 18

LONDON

CONCERTS Barbican Hall Tel: 44-171-638 8891 The Royal Opera: Mefistofele, by Boito, Concert performance, conducted by Bernard Haitink. The title role is sung by Samuel Ramey; Mar 16

 Boulez Celebrates Carter: Pierre Boulez conducts the Landon Symphony Orchestra in works by Bartok, Schoenberg, Carter and Debussy. With plano soloist Emmanuel Ax; Mar 22

Royal Festival Hall Tel: 44-171-960 4242 City of Birmingham Symphony Orchestra: conducted by Sir Simon Rattle in works by Boulez and Messiaen: Mar 16

 Boston Symphony Orchestra: Seifi Ozawa conducts Mahler's Symphony No. 6; Mar 18 Boston Symphony Orchestra: Seiji Ozawa conducts Mahler's Symphony No. 3: Mar 19

English National Opera, London

The Royal Opera: Cosi fan tutte, by Mozart. Revival of Jonathan Miller's production, conducted by Colin Davis; Mar 17, 19, 20, 21

Tel: 44-171-632 8300

Shaftesbury Theatre

Mar 16, 19, 21

La Bohème: by Puccini. Steven

Pimiott's production is revived by

Barry Atkinson and Frances Moore

and conducted by Emmanuel Joel;

The Elixir of Love: by Donizetti.

The conductor is Michael Lloyd;

New production, directed by Jude

Kelly and designed by Robert Jones.

MADRID CONCERTS Auditorio Nacional Tel: 34-1-337 0100 Elliott Carter 90th Birthday Celebrations: Pierre Boulez conducts the London Symphony Orchestra in works by Ravel, Carter, Stravinsky

MILAN OPERA

and Prokoflev; Mar 18

Teatro alla Scala Tel: 39-2-88791 www.lascala.milano.it Kovancina: by Mussorgski. Production from the Mariinsky Theatre of St. Petersburg conducted by Alexander Polinichka in a staging by Fedor Lopukhov, with designs by Fedor Fedorovski; Mar 18

NEW YORK CONCERTS

Avery Fisher Hall, Lincoln Center Tel: 1-212-875 5030 New York Philharmonic: conducted by Danlele Gatti in Mozart's Eine kleine Nachtmusik and Mahler's Symphony No. 5; Mar 18, 19,

EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500 Charles-Honoré Lannuier (1779-1819): around 50 pieces of furniture by the French cabinetmake who left Paris for New York in 1803, where he built a successful career,

Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org Lohengrin: by Wagner. New production by Robert Wilson, with costumes by Frida Parmeggiani; Mar

from tomorrow until Jun 14

THEATRE Joseph Papp Public Theatre Macbeth: by Shakespeare. George C. Wolfe directs Alec Baldwin and Angela Bassett as Macbeth and Lady Macbeth; to Mar 29

PARIS CONCERT Châtelet

Tel: 33-1-4028 2840 London Symphony Orchestra: conducted by Pierre Boulez: Mar 19

Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Semyon Bychkov in Mahler's

Symphony No. 2. With soprano Elisabeth Norberg-Schulz, mezzo-soprano Marjana Lipovsek and Choir led by Arthur Oldham: Mar

Théâtre des Champs Elysées Tel: 33-1-49525050 Budapest Festival Orchestra conducted by Iván Fischer in works by Liszt and Strauss. With piano soloist Cyprien Katsaris; Mar 16 Budapest Festival Orchestra; conducted by Iván Fischer in works by Wagner and Liszt: Mar 17

TOKYO CONCERT Bunkamura Tel: 81-3-3477 9999 Tokyo Philharmonic Orchestra: conducted by Kazushi Ono in works by Ligeti and R. Strauss. With violin

soloist Eff Arai: Orchard Hall:

Mar 20

VIENNA EXHIBITION Kunstforum der Bank Austria Tel: 43-1-533 2266 From Monet to Picasso: display of 120 works, starting with French

FESTIVAL Arnold Schoenberg Center Tel: 43-1-712 1888 www.schoenberg.at Schoenberg Festival: celebrating the opening of the new Center, the

featuring the Vienna Philharmonic

Impressionism and Pointillism, and ranging through the Russian avant-garde and German Modernism to 1945; to Jun 28

continues with a multimedia exhibition, opening today. Other concerts include the Ensemble Wiener Collage conducted by René Staar (Mar 17); the Klangforum Wien conducted by Sylvain Cambreling (Mar 18), and recitals by Angelika Kirchschlager (Mar 16) and Michael Boriskin (Mar 19)

conducted by Zubin Mehta.

WASHINGTON CONCERTS

Kennedy Central Tel: 1-202-467 4600 National Symphony Orchestra: conducted by Christopher Warren Green in works by Mozart and Haydn, with violinist Daniel Foster, Concert Hall; Mar 19, 20, 21 TV AND RADIO

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05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

Business/Market Reports:

At 08:20 Tanya Beckett of FTTV festival, which opened with a concert reports live from LIFFE as the London market opens.

PERSONAL VIEW CARROLL BOGERT



Pol Pot's enduring lesson

The creation of a strong International Criminal Court as a venue for indicting war criminals and instigators of genocide is long overdue

world-class war criminal, what can you do with him? Not much. When the Khmer Rouge appeared ready to turn over Pol Pot last year, no one wanted to prosecute him. Cambodia, fraught with political and legal chaos, could not be the forum for his trial. Canada had domestic laws enabling its courts to address genocide committed outside its borders. That was very generous of the Canadians, but the world obviously needed a regular venue for delivering verdicts on genocide, war crimes, and crimes against humanity.

The world may soon have a strong International Criminal Court to take charge of its Pol Pots. This week, the last preparatory meeting for an ICC treaty takes place in New York. The founding conference will be held in Rome this summer. Several countries, including the US, want to dilute the court's independence and ability to start investigations on its own. But if the ICC's firmest supporters carry the day, an institution for human rights

Atrocities in the 1870-71 Franco-Prussian War motivated some of the earliest calls for an international criminal court. After the Nuremberg and Tokyo trials, European diplomats hoped to make those tribunals permanent. The Genocide Con-

nce you've got offenders to be tried "by let go of their power? Dicta-hold of a truly such international penal tri- tors from "Baby Doc" Duvabunal as may have jurisdic-

But like a lot of international law, these fine ideas were buried by the cold war. Only after the genocides in Bosnia and Rwanda, when the UN set up temporary tribunals to indict the perpetrators, did serious negotiations for the court get under way. The UN tribunals for the

former Yugoslavia and Rwanda have not lived up to expectations. The trials got off to a slow start, and many of the indicted are still at large. But the cases of former Bosnian Serb president Radovan Karadzic and General Ratko Mladic show why indictments have teeth even when criminals have not

been apprehended. Karadzic and Mladic were indicted in 1993. But since 1996, Nato troops in Bosnia have studiously avoided tracking down these two men and their security retinues, which are like small armies. Yet the indictments have stigmatised both men and kept them from functioning openly in large parts of their own country. Everyone in the region, from Yugoslav president Slobodan Milosevic down, realised that they could not hope for normal relations with the outside world as long as war

criminals were running the Bosnian Serb republic. Would an ICC make it less

lier in Haiti to Ferdinand Marcos in the Philippines left their nalaces on the promise that they could live comfortably, if quietly, outside the country. Much bloodshed was averted by

their eventual departure. If

they faced prosecution

abroad, they might decide not to leave. But the best way to usher a dictator out of power is to convince him the fig is up. When the Reagan administration unequivocally withdrew its support from Mar-cos and Duvalier, they stepped down; retirement plans were incidental.

proper indictment from the ICC would deliver the same message. but universally: you are a global parish, and there's no turning back. If the ICC is to be a credible institution, its indictments should strip a leader of his legitimacy and authority so completely that he becomes less able to govern, and more susceptible to overthrow.

If there had been an ICC in 1988 to indict Saddam Hussein for genocide after he killed 100,000 Eurds, the world might have dealt with him very differently. It would have been much more difficult for France and Russia to agitate for commercial relations with him. Perhaps his own military would have vention of 1948 called for likely for rotten tyrants to dispensed with him, to try to

tional ties.

To stigmatise a national leader so thoroughly, the ICC would have to pack real authority. Unfortunately, the US. France, and other countries want the prosecutor to wait for the UN Security Council, or individual states, to refer matters for prosecution. They also want individual states - including, possibly, the state where the crime took place - to give consent before a prosecution

may go forward. These provisions would hamstring the court. Imagine having to ask Iraq's permission to bring a case against Saddam Hussein right now. The prosecutor must be able to launch an investigation based on good evidence from any source.

Worries about protecting national sovereignly are misplaced. An effective ICC would not shoulder national courts aside: they would remain, as always, the front line of judicial action. Everyone agrees the ICC would only take on cases where national courts had collapsed or ceased to function.

For most countries, that is a distant possibility. But for others, it is an urgent need. The next time a Pol Pot suddenly presents himself, the world must have a court to

Carroll Bogert is Commun cations Director of Human Rights Watch, a New York-

LETTERS TO THE EDITOR

Strategic interest the real driving force behind US foreign policy

Sir, US foreign policy has our eyes for years and now Edward Mortimer, in his article "Demonic duo" (March 11), seeks to do the same by having us believe that the US has assumed the advantage can be obtained role of "global policeman". Like any other nation, the US has its own agenda which determines whether a and sanctions are waved in conflict requires intervention or not. Two possible scenarios arise: where no benefit can be obtained from intervention, a conflict will he called an "internal issue". The US and its deputies will the answer will invariably

From Mr David Strang.

Sir, Tim Jackson's article,

'No red flag From Brussels"

March 9), discusses the

interesting issue of regula-

ers in the market for inter-

net services. Unfortunately,

the contrast drawn between

the European Commission's

treatment of WorldCom/MCI

and of AOL/CompuServe is

based on a misapprehension.

ful way (Chechnya).

at not too high a cost, the issue crystallises. An aggressor is identified and guns the name of peace and human rights, as required (Kuwait and Bosnia).

Determining who is right and who is wrong in a conflict is a difficult task and

Limit to Commission's power over internet

acquisition, presumably

because the relatively high

turnover thresholds of the

EU merger regulation were

not met. The transaction

was instead reviewed on a

national basis and the US,

German and UK competition

expressly given a green light

The attitude adopted

authorities have all

find it impossible to pro- vary according to the time nounce on who is right and frame one uses in analysing who is wrong and the two the situation. Perhaps the been pulling the wool over sides will be asked to solve US is simply being pragtheir differences in a peace matic in acting in accordance with its strategic Where a US sphere of interests. However, if we influence is seriously threat- accept that US action is not ened or where a strategic principally motivated by respect for human rights or the undoing of injustices, it may be easier to explain why US foreign policy fails to convince Yugoslavians and Iraqis to get rid of their reprehensible leaders.

tion to possible dominance

Barlow Lyde & Gilbert

George Chrysaphinis.

power to review the AOL would have been subjected

Tax rise a good test of prudence

From Mr Patrick Dennis. Sir. I was surprised to read in their letter (March 4) that professors Tim Congdon and Gordon Pepper, two of the leading UK "monetarists", are advocating a policy of "overfunding" as a means of overcoming the dilemma of a monetary policy which is exacerbating the divisions in the economy between the broadly buoyant domesticoriented services sector and the stagnant export-oriented

From

to E

Japa

manufacturing sector. As any UK commentator from the early 1980s knows, this policy was hardly a success. Selling gilts by more than is necessary to cover the public sector borrowing requirement leads to an unwanted rise in long-term interest rates as well as the problem of a "bill mounto detailed scrutiny in relatain". The government actually wants to cut the cost of in on-line publishing, tends financing its budget deficit rather to show that the Comand is aiming at long-term mission is well aware of the interest rate convergence issues raised by possible with the core EU countries. dominance in new market A policy of "overfunding" is not conducive with achieving a permanently low inflation environment.

The solution to the monetary policy dilemma is to rebalance macroeconomic policy. I do not advocate fiscally "fine-tuning" the economy, but a strong case can be made for mising taxes on consumers which would facilitate a cut in short-term interest rates and lead to a lower exchange rate. An additional measure which could be made to cut interest rates is the abolition of mortgage interest rate tax relief.

The government's willingness to pursue such policies would be a much better test of prudence and non-political approach than its policy of central bank independence.

Patrick Dennis,

The Commission does not towards the now abandoned appear to have had the Kluwer/Reed deal, which 15 St Botolph Street,

Investment climate in Ethiopia not so positive

From Mr Stephen D. Sutton. Sir. Your survey on Ethiopia (March 2) was extremely realistic in its analysis of conditions in that country facing potential foreign

investors. The survey mentions the Ethiopian government's refusal to compensate foreign investors whose property has been expropriated without compensation. The survey also refers to the Ethiopian government's privatisation programme. What it does not mention is the fact that the Ethiopian gov-

ernment is presently has expropriated (and not engaged in "privatising" expropriated property (belonging to foreign investors) even though no compensation has been paid to the original foreign owners. The Ethiopian government, meanwhile, is retaining the proceeds of sale from the so-called privatisation.

In addition, your readers (and potential investors in Ethiopia) ought to be aware of the fact that the Ethiopian government continues to collect rents and other reve- 23 Bentinck Street nues from the properties it London WIM 5RL, UK

taneously refusing to compensate the dispossessed formor owners. I am concerned that the climate for foreign investment in Ethiopia may not be

as positive as represented.

The Ethiopian government's

yet privatised) while simul-

failure to compensate previous investors bodes ill for present and future investors. Suttons, solicitors,

79 Greenwich South Street,

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Number One Southwark Bridge, London SE1 9HL

ECONOMICS NOTEBOOK GILLIAN TETT

The whole story in Japan

here are more reasons than bubbling sleaze to keep watching the Bank of Japan tax and rate changes, and a startling provision of liquidity to the markets

entral bankers rarely like the limelight. At the moment, the Bank of Japan has a particular reason to be scrambling for the shadows.

For as corruption scandals swirl in Japan's financial world, the Bank last week suffered a great humiliation - for the first time in 50 years one of its senior officials was arrested. He had allegedly leaked information about price sensitive money market operations to banks. in exchange for lavish "wining and dining".

The scandal makes shocking reading but is not the only reason to glance at the Bank's monetary operations. Next month a new law will come into effect giving the Bank independence over monetary policy. This comes

at a time when many are

asking whether monetary policy actually matters any more in Japan. At first glance the answe seems to be "no". As Japan's economy alls, the issue dominating the policy debate is whether the government will produce long-awaited tax cuts, not rate cuts. Indeed, it

seems ironic that the Bank has finally won the control it always wanted over interest rates when they are of limited interest. The reason is there is cur-rently little room to use interest rates as a policy tool to boost growth. The official fiscount rate has been staionary since the Bank cut it

to a record low of 0.5 per cent in September 1995. Some economists argue there is still room for further cuts, perhaps to zero. But the Bank suspects that cuts would give little boost to the economy, partly because the current consumer gloom, banking problems and industrial malaise means there is only limited demand for bor-

rowing now, however cheep. And there is also a powerful political impediment to a cut: some politicians in the ruling Liberal Democratic Party are demanding that rates should rise, not fall, to hoost the economy.

This might sound like Alice in Wonderland economics. But it highlights an economic truth often ignored

Benk of Japan

in countries like the UK, where the cost of corporate borrowing and mortgages dominates the policy debate. For higher rates means savers will receive more interest on their deposits. In Japan savers are receiving pitifully low returns at present. Consequently, politicians believe higher rates could offset con-

sumer gloom. The Bank has not yet been persuaded by this argument. But when the new independent policy board takes con-trol of the rate process in April it is unlikely to push for a change, After all, Japan is famous for compromise.

So far, so unremarkable. But this tells less than half the tale. For there is one policy area where the Bank has been taking some striking decisions recently - its provision of liquidity into daily money market operations. These provisions usually

receive limited public attention. But one way to measure them is through the liquidity to the markets by buying bonds, commercial paper or other bills from exchange for cash. These the Bank's assets - and thus present. The money, it is give a good indication of argued, is being swallowed how much cash it is pump by financial institutions that ing into the system. The are trying to heal them-

shows, is startling.

matic surge in the Bank's assets. By the end of February they stood at Y78,600bn, which is Y23,200bn (\$179bn) higher than the year before - an annual growth rate of

Money creation on this scale is unprecedented in Japan. And had it occurred in any other western country there might have been howls of concern from inflation hawks, or delight from those wanting faster growth. But from Japan's politi-cians it has aroused little

42 per cent

comment. One reason is that the Bank has presented it as a temporary, short-term operation to help the banking system, rather than the economy as a whole. Such help is needed because weak financial institutions have been having problems raising funds in recent months. after two banks and a broker collapsed in November. Flooding the market with liquidity is thus intended to help the banks survive to Bank's balance sheet. This is the end of the March 31 fisbecause it usually supplies cal year. Indeed, some observers suspect the

operations will slow in April. But the other reason is financial institutions in that many economists assume this liquidity cannot then get counted as part of feed into the real economy at recent pattern, as the graph Selves. In effect, they believe

assumption is wrong? After ali, a liquidity provision this big is unprecedented. And Japan's recent financial crisis has also tipped the country into relatively uncharted waters. Ron Bevacqua, an economist at Merrill Lynch, says: "The amount of money they are pumping in is just so huge now that there may be a chance it could leak into the economy,

if this happened it might provide a welcome boost to Japan's growth. But there is little sign of it yet. In theory, if money was "leaking" out of the banking system higher asset prices, higher growth or a flood of capital overseas would result. But at present growth is sluggish, inflation almost non-existent, and there is no sign of a significant capital flight. Nor is anything too star-

tling happening to monetary statistics. The annual growth rate of M1, the narrow measure of money supply, accelerated in January to 9.9 per cent, partly because of this liquidity injection. Broad money (M2 plus CD; has also risen above 4 per cent. But the broadest measure of all has stayed within 3.2 per cent and 3.5 per cent since last June, partly because banks are still curbing credit.

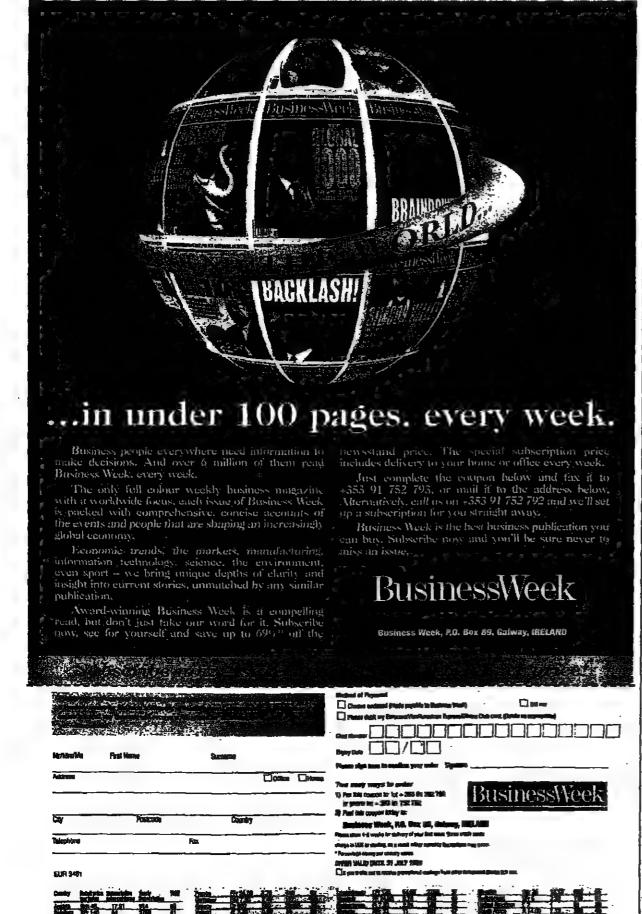
Michael Naldrett, an economist at Dresdner Kleinwort Benson, points out though that a rise in money supply usually only delivers an impact on the economy after a long time lag. This means the real impact may only become clearer later this year. If economic growth picks up for other reasons if the government finally cuts taxes, or the banking sector suddenly improves this liquidity "trap" might become unblocked.

This scenario still seems less, rather than more, probable given the depth of the banking sector's problems. Money, in other words, does not appear to be the key element driving Japan's economy at present. But even avowed anti-monetarists would be foolish to ignore the monetary records now secent pattern, as the graph serves. In energy denset there is a liquidity trap.

The Y60,000bn question.

The Y60,000bn question.

Select three will be more reasons than bubbling sleaze to keep watching the During the last three has been a drathough, is what if this Bank in the coming weeks,







FINANCIAL TIMES

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Monday March 16 1998

From the ERM to Emu's joys

Europe's exchange rate mechanism, an essential step on the path to eventual membership of brief journey. Ireland turned its the single currency. These are two small changes on the periphery of Europe. Yet it is not just Greece and Ireland that are affected. What has happened has Andreas Papandreou is a more implications for others, not least

The decision by the European Union's monetary committee to revalue the Irish punt by 3 per cent within the ERM came as a surprise. It was presented as a small adjustment on the path to the move has a domestic benefit. economic and monetary union Of the 11 currencies widely expected to join Emu, the punt alone has been trading quite far from its central rate. By bringing the central rate closer to the market rate, the committee hope to minimise jolts on the road.

Yet the decision is risky. If one currency can be adjusted, why, it may be asked, should others be immune? As it happens, Ireland has strong domestic reasons for revaluation, as well. With growth running at 8 per cent and the pound sterling soaring against the punt, inflationary pressures have been growing in Ireland. These can only increase, since short-term interest rates will have to fall from the 6.75 per cent of today, as Emu comes closer. This small revaluation will certainly be unpopular with exporters and farmers. But it should curb those pressures at least a

Ireland revalues the punt and While Ireland grapples with Greece puts the drachma inside over-heating at the end of its long road to Emu, Greece states its desire to be included after just a back on the populism of Charles Haughey several years ago; Greece's rejection of the even more irresponsible policies of recent conversion. But the Greek decision to join the ERM follows strikingly successful stabilisation under a radically altered Pasok. Orthodoxy is triumphant, from one end of Europe to the other.

For Greece as well as Ireland. The drachma was widely agreed to be overvalued. But by putting it in the ERM, the government indicates its refusal to tolerate any slide. To reinforce credibility, Costas Simitis, the Greek prime minister, has stated the aim of entering Emu by 2001. Yet whether full convergence is within Greece's grasp so soon is an open question.

Actions by these two small countries might seem to have little importance for countries set to remain on the outside. Yet Greece's decision to join the ERM strengthens the consensus that this is where candidates must wait for two years before entering Emu. For Mr Brown and Mr Blair in London, the reminder is not just that most EU members expect to enter Emu's paradise very soon, but that the UK will almost certainly have to wait in an ERM limbo before being let in

Japan's banks

government missed yet another This is how the US savings and opportunity to show that it is serious about reform. The occa- is the only way to restore Japan's sion was the announcement of financial system to health. which banks would be receiving public money to recapitalise their leaves the banking system as far Despite the government's hopes, it will not belp the Japanese

economy escape from recession. The allocation of the capital injections between the banks is money to play with. With the indiscriminate and almost entirely unrelated to the circumstances of individual banks. The already overcapitalised Bank of Toyko-Mitsubishi has received an unnecessary - and expensive handout. Worse, some of the banks on the list are probably insolvent, and should not have

received any funds at all. Once again, the Japanese authorities, with their minds focused on short-term considerations such as the financial yearend, have taken the easy option. What they need to do to sort out the financial system is quite clear. The good (ie solvent) banks must be sorted from the bad. The good banks should be allocated a sufficient capital injection to allow them to write down their bad loans. The insolvent should be forced to merge, or be allowed to fail, with sufficient depositor. up bankrupt banks, it will just be protection insurance in place to good money after bad.

Last week, the Japanese avoid destabilising the economy. loan crisis was resolved, and this

The capital injections will be equally ineffective in helping the palance sheets. The allocation Japanese economy. The government is hoping that the recapitalto overcome their reluctance to lend, so easing the credit crunch. But this is unrealistic.

> The hanks may have more problems of overcapacity and bad debts unresolved, they will not be keen to lend it out. Indeed, they should not - it is essential that the extra capital is used to facilitate writeoffs of bad debt.

> Japan's economic problems run far deeper than a simple credit crunch. The reduction in bank lending is probably as much a demand-side phenomenon as a supply-side one. With domestidemand sluggish, there is little demand for new lending. A substantial loosening in fiscal policy is the only way Japan can hope to kickstart its economy.

> It is not yet too late to turn this policy around. Over Y11hn (\$85m) is left in the fund set aside to recapitalise the banks. If it is well used, it could still ease the painful process of banking sector restructuring. If it is used to prop

Less than a cure for all ills

The case for environmental taxation is good enough in itself. It is not helped by those making either unsound objections or exaggerated claims in favour, say Leyla Boulton and Martin Wolf

reen taxation is often looked on as the fiscal equivalent of the phimagical tool, able to turn the political dross of higher taxes into the unalloyed gold of a nicer environment, more jobs, greater economic efficiency and increased popularity. This sounds too good to be true. And it is.

Green taxes are already popular, particularly in Scandinavia. They are becoming more so elsewhere. Last year, the British government committed itself to increase road fuel duties by 6 per cent a year until 2000.

If Gerhard Schröder, the SPD challenger to Germany's chancelior Helmut Kohl, were to form the next government with the Greens, ecological tax reform could move further ahead in that country also. The SPD, though hesitant itself, may concede the principle as a concession to its putative coalition partner.

When judging the wisdom of such plans, one must remember the purpose of green taxation: it is to ensure that prices facing producers and consumers reflect the marginal environmental costs (and benefits) of their activities. As Professor Ernst von Weizsäcker, a leading German proponent of green taxation, points out, "prices that say little about ... actual costs to society' are an obstacle to efficient use of

The chief aim of the policy is, in the economists' jargon, to "internalise" an otherwise ignored "externality", that is, to make clear to decision-makers the costs of resources that do not have market prices. Fiscal instruments are attractive in this context because businesses and consumers are then free to decide how to respond. This will lead to greater efficiency and allow more liberty than "command and contrel" alternatives, such as, say, banning some polluting activi-

If "bads" are to be taxed, they must, obviously, not be subsidised to begin with. Green taxation should therefore start with the withdrawal of subsidies to pollution. The European Union's Common Agricultural Policy has long led to poliution of water. According to the World Bank. phasing out Germany's subsidies to its coal industry could cut 1996. G

Along with withdrawal of subtaxes. According to the Organisation for Economic Co-operation and Development, these appear affective.* Successful examples include the landfill tax in the UK (a tax on depositing waste in landfills), Sweden's tax on sulphur content of fuel and the Danish tax on construction waste. The Danish levy has driven the proportion of construction waste that is recycled to 84 per cent. compared with 15 per cent in Britain. In Sweden low-sulphur diesel fuel is now the only kind

The OECD argues that govern ments should impose more (and heavier) green taxes. A leading candidate is energy. Taxes can also be imposed on road use or provision of parking spaces. On the list of products taxed in at least one country are lubricants, fertilisers, mercury and cadmium batteries and packaging.
All taxes are vulnerable to eva-

sion, including green ones, particularly if set - for good environmental reasons - at punitive



levels. A survey from Tidy Britain, a charity, showed that 21 per cent of local authorities had reported a 26-50 per cent increese in illegal dumping of rubbish in the six months after the landfill tax was introduced in October 1996. Green taxes need to be

When the "bad" in question affects people only in the juristhe tax, action is relatively simple. Things are far more difficult when pollution spreads across horders. A hard-headed national government will have little recson to act on a global challenge. such as global warming, when its own attempts to limit the pollution will make little difference to

In such cases, an international regime is needed. One already exists within the EU: another is emerging for global warming. But taxation will still help make what has been agreed effective.

So the case for green taxation is good enough in itself. It is not helped by those who makeexaggerated claims in favour or, still worse, advance unsound objections against. Proponents argue, for example, that green taxation will provide a cornucopia of fresh revenue. Opponents complain that green taxation will undermine competitiveness or worsen the plight of the poor. These positions are oversimple, tendentious or wrong.

Receipts from environmental taxes have increased over time, though they were still only about 6 per cent of EU total tax revenue in 1993. Yet there is a fundamental objection against over-emphasising the chances of increased revenue: the more successful tax is at eliminating pollution, the less revenue it will generate. The

will raise some money. So there is a question about what should he done with the proceeds. The obvious answer is to use them for the government's highest prior-Labour reduced the

VAT rate on domestic heating fuel. This was

populist posturing

ity, be it employment, tax-cutting, the environment or something else. There is no overwhelming reason why the use should be different because revenue comes from environmental taxes. Moreover, to emphasise the additional revenue may even be politically counter-productive As John Gummer, the former UK environment secretary, argues. "you have to be sure it is really a means to protect the environment rather than an excuse for

government to raise money". Otherwise, he notes, the additional taxation may give environmental protection a bad name. Some proponents meet this objection by linking green taxa-

tion to supposedly popular spending. One such approach is to suggest that environmental taxation offers a "double dividend": it can reduce pollution and permit labour, thereby increasing employment. Revenue from the IJK's landfill tax, for example, was used to lower National Insurance contributions (a tax on labour). Yet the scale of the "double dividend" is, at the least, uncertain. And it is foolish to hold needed changes in labour taxation hostage to plans for green taxation.

Forming a direct link between environmental taxes and the cost of labour is an example of "hypothecating" or "earmarking" revenue. Another such link could be between green revenue and environmental spending.

Should green taxes be earmarked for green issues? The advantage of hypothecation is that it increases the transparency of the link between taxes and spending, which may make it politically easier to introduce a high priority form of spending. It has a decisive disadvantage, however it can lead to inefficient and unstable spending patterns. If raising revenue is a feeble

argument in favour of green taxation, adverse effects on competitiveness and income distribution are still weaker arguments against it. The alleged disadvantages can be readily dealt with by offsetting changes in either taxa-

tion or spending.
Thus, the argument that green taxation will undermine the "competitiveness" of the economy as a whole is mistaken. largely because the notion of overall competitiveness has little. if any, meaning. If the tax reduces an environmental "bad", it will raise prosperity, correctly measured, which is the goal of competitiveness. Any revenue can be used to improve the performance of an economy.

Far more relevant is the fact that green taxes will undermine the profitability of particular industries, particularly the most polluting activities. That is, after all, their purpose. Yet, notwithstanding this logic, the EU's initial proposals for a carbon tax suggested exempting six energy-intensive sectors. The explanation for the absurdity was political. To meet the opposition, it may be necessary to impose taxes incrementally. It makes no sense, however, to avoid taxing the

most polluting sectors.

This can be difficult to sell domestically. It is particularly so when the effectiveness of a tax depends on complementary action by others. Gunnar Rabe of the Federation of Swedish Industries points out, for example, that his country's carbon tax was confined to Sweden. "The problem from our companies' point of view is that they don't see their competitors getting the same tax." he complains. The answer is an effective international regime.

While some worry about the impact on competitiveness, others worry about poverty. Poor people, it is claimed, are harder hit by some green taxes than rich people. It is unclear how serious the effect is: the OECD suggests that an EU carbon tax would not have been particularly regressive. Yet the issue is politically salient. In the UK, the Labour party savaged the Conservatives for their attempt to raise value added tax on domestic heating fuel to 17.5 per cent. In last July's Budget, Labour reduced the rate, then at 8 per cent, to 5 per

This was populist posturing. The share of income spent on heating by poor people tends to Nevertheless, the latter spend absolutely more. It is possible therefore to impose higher taxes. if desirable on environmental grounds, while compensating those adversely affected through either taxes or social spending. It is absurd, as in the UK, to tax energy-saving materials at 17.5 per cent, but domestic fuel at 5 per cent.

Taxation of environmental "bads" is a good idea, but as part of an environmental strategy. No government should fall to introduce such taxes for fear of mythical, or readily ameliorated, damage to competitiveness or the poor. Equally, no government should introduce green taxes merely to fill holes in the revenue or let hypothecation distort its spending priorities.

Green taxes are not alchemy. They are a tool of environmental policy, to be introduced, defended and implemented as such.

Environmental Taxes and Green Tax Reform (Paris: OECD, 1997)

Value in defence

Has the wave of mega-mergers in three can compete to be prime the US defence industry run its contractor for each large weap course? That is one inference from the justice department's intervention last week in Lock- involved as sub-contractors. heed Martin's proposed acquisttion of Northrop Grumman. Washington's problems with the deal may simply be part of a tough bargaining process, for it would be surprising if the Pentagon did not want the merger to go through in the end. A deal may be struck to force disposals competition to restrain prices of radar and electronics busi-

But the government's reservations do appear to signal an end to consolidation in the industry: there may be smaller deals, but no more large mergers. The Pentagon's endorsement of the justice department's concerns also suggests that, after prodding the industry into restructuring five years ago, it may be having second thoughts about how to get value for money in procurement.

The result of the 1993 "last supper", at which the then defence secretary told contractors that he wished their number to shrink, has been dramatic. Top-level "prime contractors" in military aircraft and electronics have

Lockheed Martin and Raytheon. A contraction of capacity was uration looks disturbingly cosy. tarry long in dealing with the It is true that at least two of the companies' responses.

ons programme. But whichever wins, the other two will often be The Lockheed/Northrop

merger, if allowed intact, would eliminate competition in areas in which technological innovation will be crucial. The Pentagon will need to develop methods, including Chinese walls within companies, which maintain sufficient and promote innovation. It is rightly encouraging companies to reduce dependence on defence. The fact that US defence merg-

ers are over should not deter Europe from addressing its even more serious problems of over-capacity and inefficiency. It is not easy to bring European defence and aerospace companies together through mergers, as they have many customer governments and there are political constraints including state control in France, Italy and Spain. But unless Europe can forge a

corporate structure which delivers value and world-class products, governments will increasingly find it hard not to buy from the American big three. The govbeen reduced to three: Boeing, ernments of Britain, Germany and France have asked the largest companies to produce a necessary given post-cold war rationalisation plan by the end of defence cuts. But the new config-

Todai, or not Todai?

rounded up in Japan's "wining and dining" purge have more in common than a penchant for expensive restaurants. The bigger heads to rol are nearly all graduates of Tokyo University, known as Todal - Japan' equivalent of Harvard and Yale rolled into one. Todai graduates dominate the top acheions of the bureaucracy and business; friendships made at university have helped cement cosy relationships between government and private sector. But how come the investigation

has been pursued with such numlessness? Surely the senior ranks of the police force and the public prosecutor's office are also stuffed with Todai graduates? Well, no. Katsuhiko Kumazaki, head of the financial scandal investigation team, is a graduate of a small private university. A large number of his subordinates went to Kyoto University - Todai's arch rival.

Funnity enough, there's talk that Kumazaki may find himself pushing different own after the annual bureaucratic reshuffle. Surely the personnel section wouldn't be served by Toder sympathies?

Half mast

Bit of a flap over flags in Canada's parkament. The antics began when a representative of the separatist Bloc Quebecois complained that the Canadian Olympic delegation

displayed too meny red and white Maple Leafs in Negano, Federalist MPs responded by breaking into a rousing chorus of "O Canada" and vaving small Canadian flegs.

OBSERVER

MPs from the conservative Reform Party have kept the flags on their desks ever since, though it contravenes partiamentary rules. The proud patriots reckon it's a freedom of choice lesue; many of them have started sporting Maple Leaf ties and a few are even driving around in red-and-white cars.

As yet there's no sign of a solution to break the deedlock and it will probably fall to the speaker to sort things out. Sounds like time to run a few ideas up the flaggode and see who salutes.

Will power

A play-maker has emerged in the increasingly bitter contest for the biggest job in world footbell. Scottish awyer David Will was never far from the action at Friday's emergency meeting of Fifa world football's government body - an ill-tempered affair culminating in a walk-out by João Havelenge, Fifa's scon-to-retire Drassident

Will may be a director of Scottish second division strugglers Brechin City, but when it comes to football politics he's in the premier league. A partner in a Brechin law firm, north of Dundee, he did well on Friday to prevent hot-headed members of Rfa's executive committee scoring an own goal: they wanted secretary general Sepp Blatter to step down after he refused to say whether he

was in the running for Havelenge's job. Forcing out Bletter would have thrown a spanner in the works of preparations for this year's World Cup finals in France.

But even Will couldn't prevent the ensulno row. Havelange, 82, refused to accept Will's watered-down proposal that Blatter should only go if he formally enters the race. He asked Will to draft a counter proposal enabling Blatter to continue in his post and run for president. When Will refused, Havelange walke out - though not before aiming a few choice words at his old ally.

Will himself is in a tricky position. It Statter doesn't run for president then the job almost certainly goes to European football supremo Lennart Johansson. And who's in line to get Johansson's job? You guessed it, a sertain Scottish lawyer.

Road to ruin

With its fortunes sagging in opinion polis, Germany's Christian Democratic Union has played the ultimate card - an appeal to autobahn-loving motorists, General secretary Peter Harrize ordered posters outside petrol stations warning that a coalition of Social Democrats and Greens - the most likely government after September's federal elections - could push petrol prices up to DM5 a litre. "Do you want to pay DM300 for a full tank?" asks one poster.

The campaion is meant to embarrass SPD hopeful Gerhard Schröder who's become increasingly exasperated at the antics of the

Greens. Raising petrol prices to DM5 a litre over a decade is Green policy - not SPD. And the environmental party has been losing ground in the opinion polis since their Maddeburg conference which proposed the plan. The hoo-ha has left Joschka

rischer, the most prominent Green leader, and one of the more moderate, looking off-colour. Before Magdeburg, the 49-year-old was tipped as possible foreign minister in any "red-green" coalition. At the weekend, Fischer said he had no ambition to be a government minister at all. Perhaps he's run out of gas.

Beat it

Political passions run high in the household of Guillermo Endara. Panama's former president has left his wife Ana Mae after a tiff over rival candidates in forthcoming presidential primaries.

Endara, it seems, is throwing his not inconsiderable weight behind Mireya Moscoso, the president of his Amulfist party; feisty young Ana Mae is all for the party's rebel candidate Alberto Valiarino. The marital debate must have been rousing. Endara left home in a huff last week complaining of being beaten with a stick by his wife. His frank admission won full praise from Panama's Committee for Mistreated Men.

The latest news is that Ana Mae, who married Endara amid much pomp and finery in 1990 when he was still president, wents her men back home. But perhaps he'd better wait until March 30 - the day after the primaries.

Financial Times 100 years ago

Canadian Tram Car Companies

Canadian tram car companies or - to give them their more Imposing designation - streat railway companies are much better patronised by the public than similar enterprises in

During the year ended 30th September last no less than 32,047,317 passengers were carried by the Montreal Street Railway Company, and the traffic is stated to be steadily

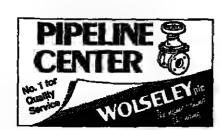
The citizens of Montreal are evidently following the principles of the hale old gentieman who, when asked how he carried his age so well, replied that his rule through life had been never to walk when he could ride and never to stand when he could

50 years ago

Whating Fears in Norway Oslo, March 15. Norweglan whaters express anxiety about the future of whaling.

Having regard to the greatly improved "catching material", results of the last season are disquietingly poor when compared with pre-war catches.

Whating is unusually disappointing this year, a director of the Norwegian Whaling Association has said.



FINANCIAL TIMES

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MONDAY MARCH 16 1998

THE LEX COLUMN

Time for a target

The US economy is strong, inflation low and the authority of the Federal Reserve unquestioned. Now is the perfect time to make sure things stay that way.

One possibility would be for the Fed to move from its vague commitment to price stability to an official target range for inflation. The advantages are increased transparency and coherence of monetary policy. Fed chairman Alan Greenspan may be the world's best central banker on most measures, but his cryptic utterances tend to leave investors operating in a fog.

A clear inflation target would institu-tionalise policy, making it less dependent on the skill of one individual. This would make the central bank more accountable, and freer from political interference. This may not be an issue now, but problems have occurred under a weaker Fed.

It might be countered that an inflation target would reduce the Fed's short-term flexibility. But the figure should not be seen as iron-clad, more as a framework aligning monetary policy with a long-term

There is another potential problem: missing the target could undermine the central bank's authority. As it would also increase pressure on it to improve performance, that should prove self-correcting.

Given today's favourable backdrop, there is little debate either in Congress or the Fed on this issue. But it is worth pointing out that even now US 10-year bond rates yield 75 basis points more than German ones. This suggests that a clearer framework for monetary policy could bring tangible benefits for investors. Mr Greenspan is known to have considered inflation targeting - if not for himself, then perhaps for his successor.

Monetary union

The Republic of Ireland's 3 per cent revaluation of the punt is a technical affair. It will do little to rain in an economy stoked up by artificially low interest rates. The danger remains that boom will turn to bust as, within monetary union, the government gives up the tools that

might engineer a softer landing. Greece, on the other hand, must hope that joining the exchange rate mechanism will lead to its sharing some of the benign effects of growth enjoyed by Ireland and the "Club Med" southern European coun-

tries. With the public spending cuts and other reforms announced yesterday, it is

paddling hard to catch up. The devalued currency should be easier to defend, taking pressure off interest rates. Improved competitiveness, provided there is essential restructuring, should be a recipe for growth, as it has been in

Spain and Portugal. But, meanwhile, what will the Germans think of another previously unthinkable country getting close to joining the Euro club? This will do nothing to damp their concerns about a soft Euro and a commo interest rate higher than their sluggish economy needs.

South Korea

The speed of South Korea's retreat from the abyse has been remarkable. Back at Christmas, with foreign exchange haemorrhaging, it stood on the edge of default. The country's benchmark debt issue traded at a delinquent 1,000 basis points over US treasuries

Now confidence has recovered to the extent that foreign creditor banks have willingly rolled over 95 per cent of the \$22bn in debt Secul wanted to restructure. Moreover, more than 80 per cent of the debt was rolled over for two- or three-year maturities, not the shortest one-year

The roll-over does not, of course, provide Korea with new money. But the high take-up rate at least minimises any outflow and provides a platform for a return to the international capital markets. Here the outlook is encouraging; sentiment

CONTENTS

Companies & Finance

towards emerging markets in general has improved recently, while investors are increasingly willing to differentiate between Asian markets. This augurs well for Korea, where President Kim Dae-jung has been pushing all the right buttons. On current evidence, it should be possible to price the planned sovereign issue at 350-400 basis points over treasuries.

Mr Kim, however, can hardly rest on his laurels. He now needs to grasp the domestic debt nettle. With the economy slowing, weaker chaebol will be unable to meet interest payments. Bankruptcies will follow, further weakening the banking system. Foreign capital is crucial to a solution, but it will only come when the chaebol start to restructure in earnest.

Political governance

Do dictatorships or democracies deliver better returns? The traditional view among emerging market investors is that the smack of firm government is best particularly where a strong leader like Singapore's Lee Kuan Yew or Chile's General Augusto Pinochet implements mar-

ket-friendly policies. But the Asian crisis should cause investors to modify this view. Strongman rule can actually make it harder for a country to drink stiff medicine, as Indonesia and Malaysia show. By contrast, South Korea and Thailand, whose governments have changed, are making strenuous efforts to reform their economies. Why is this? Part of the reason is that Indonesia's President Suharto and Malaysia's Mahathir Mohamad simply do not want to sweep away the systems of crony capitalism that serve them so well.

But there are also psychological factors: U-turns typically involve a loss of face. By contrast, a new leader like Korea's Kim Dae-jung can embark on new policies and hope the blame will stick to his predeces-

None of this is to suggest democracies guarantee economic success: they can easily produce indecisive government. Nor does it mean dictatorships cannot perform well - as, indeed, Indonesia seemed to be until last year. The big difference is how the systems respond when conditions turn sour. In Indonesia, for example, it may be hard to remove Mr Suharto without a bloodbath, investors should apply a higher risk premium to dictatorshi

India's Hindu BJP asked to form coalition government

Atal Behari Vajpayee, veteran leader of India's Bharatiya Janata Party. will be sworn in as prime minister of a BJP-led coalition government on Thursday, after the Hindu national ists last night received a presidential invitation to form a government.

The formal request from K.R. Narayanan, the president, ended two weeks of political haggling following the indeterminate outcome of last

month's elections. The BJP-led alliance of more than dozen regional parties must prove it has a parliamentary majority by March 28, local news agencies

The BJP has promised to lead a government of "broad consensus" and will this week announce a national agenda agreed among its allies as the basis for government. The 18-year-old party, accused by opponents of being religiously divisive, is likely to tone down many of its militant policies based on Hindutra, a Hindu-based "cultural

Mr Narayanan's decision to invite Mr Vajpayee to form a government followed a renewed pledge of support

ner. This seems to have given the support to survive. But the renewed BJP and its allies a narrow majority in the 543-seat lower house of

parliament. Mr Narayanan's move also came after leaders of Congress and the United Front, which formed the ousted coalition government, informed him they could not muster the support to offer a competing claim to govern.

Sonia Gandhi, widow of former Congress leader Rajiv and the party's prime election campaigner, told the president late yesterday that Congress, India's second biggest party, did not "have the numbers" to

stake a claim. Mrs Gandhi was appointed Congress president at the weekend, assuming her first formal party post while becoming the fifth member of the Nehru-Gandhi dynasty to lead india's 112-year-old party.

Mr Vajpayee, the popular and moderate 71-year-old BJP leader, will be sworn in as prime minister for the second time in two years. He headed an ill-fated 13-day administration after India's voters also returned a hung parliament in the

for the BJP from an essential but 1996 poll. That BJP administration failed to win enough parliamentary backing yesterday of J Jayalalitha, who commands 27 MPs as leader of the AIADMK party based in Tamil Nadu, allows the BJP to claim the support of 267 members.

Though short of a technical 272seat majority, this should grant the BJP alliance a slim parliamentary margin, as 12 MPs belonging to the south Indian Telegu Desam Party. which has indicated its neutrality,

are expected to abstain. Ms Jayalalitha had withheld letters of support for the BJP last week, after Mr Narayanan insisted on documentary proof of the BJP alliance's firm support. She accused the BJP of failing to meet several conditions, including ministerial portfolios for her party and allies.

But Ms Jayalalitha, a BJP ally before the elections, finally agreed to back the Hindu nationalists after four days of talks with BJP leaders, saying she had dropped her ministerial demands. She said her party would participate fully in the BJP

Buffett says US stock prices may not be overvalued after all

Stock prices should not be viewed as overvalued as long as US companies continue to achieve strong return on equity and stable interest rates are maintained, says Warren Buffett, the US investor known as the Sage of

In his annual letter to shareholders in Berkshire Hathaway, the investment company, he said that, if returns on equity "still remain exceptionally high" and interest rates held near recent levels, "there is no reason to think of stocks as generally overvalued", adding: "On the other hand, returns on equity are not a sure thing to remain at, or even near, their present levels."

Previous warnings from Mr Buffett that prices were overvalued have hit the stock market. Through Berkshire Hathaway, the publicly traded investment vehicle, Mr Buffett is one of the largest investors in

In the second of his letters to be

warned that, given the size of Berkshire Hathaway, future investment performance was likely to be hindered. "Our rate of progress in both investments and operations is certain to fail in the future," he said. "At our present size, any performance superiority we achieve will be

The 34.1 per cent increase in the per share book value of Berkshire's class A and B shares was unimpressive given the strong stock market last year. "In a bull market, one must avoid the error of the preening duck that quacks boastfully after a torrential rainstorm, thinking that its paddling skills have caused it to rise in the world," Mr Buffett said. "Our appraisal of 1997's perfor-

mance, then: Quack." He said: "Prices are high for both businesses and stocks", meaning "we get relatively little in prospective earnings when we commit fresh money". As a result, Berkshire had made some so-called alternative

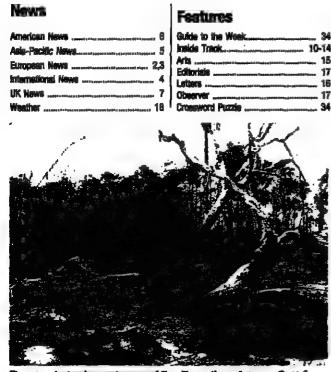
posted on the internet, Mr Buffett investments, including acquiring 111.2m ounces of silver which produced a pre-tax gain of \$97.4m in

数时间节记程

In February Mr Buffett announced that Berkshire owned 129.7m ounces of silver, approximately 20 per cent of the world's supply. In his first explanation for taking the stake, he said inflationary expectations played no part in his calculation of silver's value. "In recent years, bullion inventories have fallen materially. and last summer Charlie [Munger, Berkshire's vice-chairman and Mr Buffett's partnerl and I concluded that a higher price would be needed to establish equilibrium between supply and demand."

Coca-Cola remains Berkshire's largest holding. Mr Buffett said he believed the death of Roberto Goizueta, the company's chief executive officer from 1981, who died in October, would not harm perfor-

Markets Week, Page 24

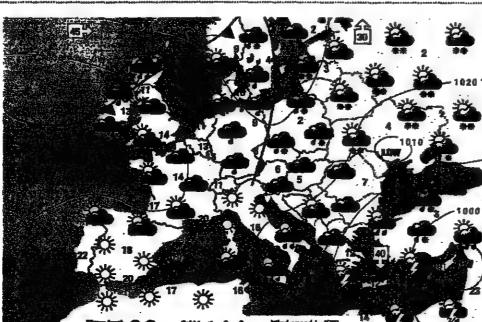


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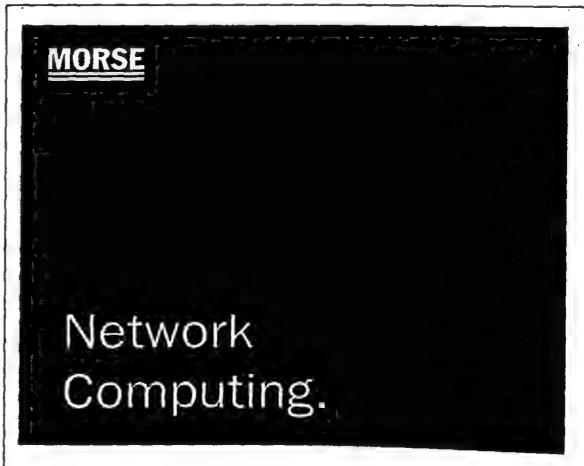
FT WEATHER GUIDE

Europe today Southern Italy and Greece will have heavy showers and thundary downpours. Northern italy and the rith sunshine. Northern France will be mainly dry with cloud and some sunny spells. The Low Countries and Germany will have cloud and drizzle. Farther east, it will again be cold with snow flurries, especiacross the Baltic States and Finland, South-west Norway and vestem Denmark will be mostly dry and bright, but east Denmark and Sweden will have rain and hill snow at first.

Five-day forecast Mediterraneen will stay cool and be mostly fine and dry. Central and em Europe will be unse with a renewed surge of cold an moving in from the north on



nesday and Thursday. Sun Pain Drain Sun Rein Rein Fair Cloudy Fair Cloudy Sun Cloudy Sun Cloudy Clou Majorca Marta Marychanter Marychanter March Marc Lufthansa



Fact or fiction?

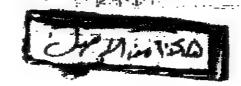
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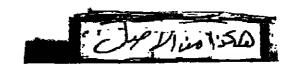
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Banks

struggle

to finance

buy-outs

By Simon Davies in London

A record number of European

leveraged buy-outs over the

past six months has left inter-

national banks struggling to

absorb a mountain of acquisi-

The withdrawal of Asian

banks from the syndicated

loans market means a smaller

with a lot of loans to finance.

The deadlines for some deals

have been drawn out and a

number of banks have been

left holding more debt than

Since the fourth quarter of 1997, close to £5bn (\$8.4bn) of

loans have come to the mar-

ket. This has coincided with

the virtual disappearance from

the loan market of Japanese

banks, which provided around

than their credit infrastructure

can handle, so they have had

to make fairly arbitrary deci-

sions about which deals they

are going to look at," said one

Bankers Trust has finally

managed to syndicate its

£400m syndicated loan to fund

Nomura International's acqui-

sition of the William Hill bet-

ting business.last October. But

it has been a struggle and the

syndicate is close to half the

The William Hill deal was

not helped by the fact that

some banks were unwilling to

lend to the gambling industry,

which has a tarnished reputa-

tion in some European coun-

size that had been planned.

Banks have had more deals

15 per cent of funding.

investment banker.

they planned.

number of banks are faced

INSIDE

www.sca.se

Alcoa bids to expand on two fronts

Aluminum Company of America is the world's largest aluminium producer. Just how much bigger does it intend to become? Last week it made a \$3.8bn bid for Alumax, the number three aluminium producer in the US, and it has teamed up with Canada's Alcan group to bid in the privatisation of the Venezuelan aluminium industry. Page 21

Mendelsohn takes global view



Robert Mendelsohn (left) has wasted little time since becoming chief ecutive of Royal & Sun insurer. He has orchestrated a shake-up to raise the group's profile in ommercial insurance and crease its share of perconal financial services. He said: "We're not thinking of ourselves as a UKbased composite insurer any more, but as a global provider of financial services. Page 20

Traders watch drachma and sterling The Greek drachma loins

the European exchangerate mechanism today and it could prove a votetlie debut, Traders will also be watching sterling closely to see if it rises or crashes. UK data expected this week suggest the former. The pound ended last week at its best level since August 1997 above

INTERNATIONAL BONDS investors cross 'final frontier'

Assets denominated in local currencies were seen as the "final frontier" in emerging market investment, This frontier was proseed by a growing number of investors in last year's buil market when trading in local instruments rose 18 per cent. Page 22

EMERGING MARKETS

Rating agencies disagree on Russia Last week, Fitch IBCA credit rating agency confirmed its BB+ long-term foreign currency outlook for Russia. But rival agency Moody's downgraded Russia's sovereign debt rating to Ba3. Page 23

MARKETS THIS WEEK

New York

is beginning to affect the US trade position. Page 24

There is little doubt about this week's main event for

UK financial markets - tomorrow's Budget. Page 24

Tokyo will be watching for news about more specific

government plans to stimulate the economy. Page 24

investors have their sights set on 6,000 points for the DAX blue chip index. Page 24

FT GUIDE TO THE WEEK

full listings Page 34



More than 100 countries Geneva today as the World Telecommunication Policy Forum discusses reforming the rates that lecoms operators pay ich other to connect International calls.

Kofi Annen, the United Nations secretary general, will on Wednesday begin a nine-day tour of the Middle East that includes the Palestinian territories.

TRADE ON THE INTERNET The World Trade Organisation on Friday publishes a atudy on commercial transactions on the internet.

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PHARMACEUTICALS ANTI-OBESITY DRUG DELAYED AFTER EXPERTS CHANGE VIEW ON CANCER RISK

Roche suffers new Xenical setback

suffered a fresh setback in its bid to market Xenical, its longawaited anti-obesity drug. after a US panel of experts acting through the gastro-changed its view about intestinal tract, rather than whether the drug increased the risk of breast cancer. A Food and Drug Administration advisory panel, which had unanimously recommended Xenical last May, was

the Swiss advise the FDA on drug applipharmaceutical group, has cations, was tied five-all over the weight management drug. Xenical is the first of a class of drugs called fat blockers. By

claimed it can cut absorption of fat by about 30 per cent. In the US, where some 58m obese people spend \$30bn a year on weight loss pro-grammes and diet pills, unable to confirm approval Roche's Xenical is being billed

fresh evidence. The panel of as a potential "blockbuster" US launch of Xenical was post- no biological reason why it independent experts, who that could generate sales of up poned last August after the should cause cancer. There to \$1hn a year.

years, has been increased fol- tion and restated its belief that lowing the withdrawal of the two most popular new diet cancer was a statistical quirk. brain chemistry, it has been drugs in the US. They altered brain chemicals to trick the body into feeling full but were withdrawn because of worries about heart valve trouble. Roche's weight loss drug by contrast does not involve the

Its potential importance to tion on possible links with have received 730 times the Roche, whose sales have breast cancer. In November human dose. flagged over the past couple of Roche resubmitted its applica-

Although a number of women who took Xenical in Roche's original studies had breast cancer, the company believes the majority of them had it before the study and, because the drug only works central nervous system. The in the intestine, that there is

FDA requested more informa- has been no cancer in rats that

The FDA, which does not need to follow the advice of its any connection with breast expert panel, is expected to make a decision on whether Roche can market Xenical by

> When Roche withdrew its FDA application for Xenical last summer its non-voting shares fell 5 per cent to SFr12,600. Last Friday, they

Kiam poised to strike in battle for lighter market

Business gurus shape up to revive ailing brands Ronson and Colibri, reports David Blackwell

'wo of the brighter sparks shares in Ronson. He and in the business world are Christine Pickles, his girlabout to go head to head friend and Ronson's former in a battle for the cigarette lighter market outside North suing for nearly £500,000 America.

In the blue corner is Victor lowing their resignations. Kiam, who at the age of 70 has just become chairman of Ronson. Mr Kiam is famous for liking the Remington electric shaver so much that he bought the company. He wrote about his climb to the top in a book entitled Going For It.

In the red corner is Howard Hodgeon, 48, ousted as chief executive of Ronson last summer. Last week Mr Hodgson, a 1980s stock market star who built an empire from a family funeral parlour, agreed to become chief executive of Colibri Corporation. His autobiography is called How to Become Dead Rich. Mr Hodgson, who starts

For the first time in 30 years the Colibri name is owned by a single company. The Ronson brand is under separate ownership in North America. Mr Levinger, who believes that Colibri has been suffocat-

in February.

acting finance director, are

(\$825,000) in compensation fol-

Fred Levinger, president of

the US parent company of Coli-

bri, last week concluded the

purchase of the trademarks,

patents and intellectual prop-

erty rights of the trading sub-

sidiaries of Colibri of London,

which was put into liquidation

ing from lack of capital for the past two years, is delighted that Mr Hodgson has agreed to build Colibri back into a world work at Colibri today, still brand. "He and I got together,



ledge of this business."

Mr Kism has met Mr Hodgson while he was still at Ronson, thinking there might be some business to be done with his travel accessories company. But all he will say about the Colibri challenge is that he welcomes competition.

He is already lighting his unending cigarettes with a Ronson lighter. "This is a ilarities with Remington, said last week.

to find people with a know- out," he says, blowing fiercely when he led a highly leveraged at a roaring flame. "These management buy-out in 1979. products have some very good features that no-one knows about - but what a brand!"

> total losses last year at 27.5m. It is planning a 7-for-1 rights particularly the disposables. issue to raise 26m, and Mr Kiam is preparing to invest what he calls a sizeable sum. He feels there are many sim-

challenge," he said. "It is hard turbo model, you can't blow it which was making losses Where Remington was fighting for market share with other shaver manufacturers as well Ronson has estimated its as razor blades, Ronson is facing other lighter companies.

"I would like to build it to a company that gets the same respect as other companies that I am associated with," he

The industry has also been volatile, raising concerns over its ability to fund a highly leveraged transaction. William Hill is understood to have produced profits before interest and tax of close to £78m last year, compared with £51m in 1996, but many bankers still

failed to bite. Bankers have been helped by a rising appetite for Euro-pean junk bonds, which have been used as an alternative for

funding buy-outs. Most US investment banks have been trying to build up a high yield bond market in Europe, to exploit the advantage of their domestic exper-

However, the nescent junk bond market is also suffering from a spillover from the US. where cash inflows into mutual funds have failed to keep pace with the build up of high yield issues.

Ameritech gets NZ telecoms sale show on the road

By Viewant Roland in Landon

The largest share offering in the telecommunications sector this year gets under way today when an international roadshow begins for the sale of a 24.9 per cent stake in Telecom Corp of New Zealand, owned by Ameritech of the US.

The offering is the first of an expected rush of big "national" telecommunications issues this year. It will be the first

real test of continuing demand Lynch and Credit Suisse First April TCNZ is listed in New pledged to pay a full dividend among investors for more Boston, the investment banks, Zealand and New York, and on the part-paid shares, which shares in the sector after a are joint global co-ordinators number of large deals last for the issue. About 60 per cent

Ameritech's stake in TCNZ, monopoly in the early 1990s, is worth about US\$2.2bn. The US group is selling so that it can concentrate on expansion and acquisitions in Europe. Merrill

of the shares are to be sold to international investors. New which it acquired when the New Zealand government pri-investors are also being allovatised its telecommunications cated about 60m of the 430m shares on offer.

The TCNZ transaction, the biggest out of New Zealand, is expected to be completed and be set when the transaction fully priced in the first week of closes. However, TCNZ has

the shares being sold are due to begin trading on April 6. which the shares are to be sold

will be payable in two instalments. The first payment of issue closes, has already been set, and the final instalment, to be payable after a year, will

analysts estimated would give a yield of about 9 per cent. But Unusually, the price at the two-tier payment system means that a maximum of 20 per cent of the issue can be sold to US investors because of NZ\$4.70 a share, due when the restrictions on such listings by the Securities & Exchange

Shares in TCNZ closed on Friday at NZ\$8.55, up 25c, in heavy trading.

PETER MARTIN **GLOBAL INVESTOR**

Chance for gain amid pain

Revaluing the Irish punt on Saturday was the last easy adjustment Europe's peripheral economies will be able to make in the process of monetary union. With bilateral exchange rates for the 11 likely members now effectively locked forever at their present values, the burden of economic adjustment to life under a single monetary policy will fall

directly on economic activity. To macro-economists, this is a worrying outlook. Paul De Grauwe of the University of Leuven in Belgium, writing in the FT last month, compared the potential impact of the euro on economies such as Ireland and Spain with that of the Asian boom and bust. The periphery is growing rapidly. and should have higher interest rates than the slow-growing core. But because Germany and France between them account for more than half the euro-zone's GDP, interest rates for the single currency are likely to be set to reflect their economic conditions rather than those of the smaller countries on the edge of the area. Interest rates will fall in the periphery when they should be rising.

Ireland, Spain and Portugal will boom. Asset prices will rise rapidly. As in Asia, there will be excessive accumulation of private-sector debt. Wage rates will start to converge with those in the higher-cost core. Companies exporting to other euro-zone members will suffer. In time, banks will incur heavy losses from unwise lending. As Edmond Warner and James Montier of of Ireland to continue with its

NatWest Markets argue, Europe's hot spots "should be treated with care if investors are to avoid yet another That intention has a lifespan financial bust".

That's certainly a prudent view. But, argues Albert Edwards of Dresdner Kleinwort Benson, there are also significant investment opportunities in what he calls the "Euro-Bubble" economies. Remember, the devastating aspect of the Asian crisis was the currency collapse that followed the realisation that the exchange rate was unsustainable. Inside a currency union such as the

euro, this risk does not apply. Instead, adjustment will take place as wage rates rise and export sectors lose competitive advantage. This will be a slow and painful process. But in the meantime, there will be hig profits to be made investing in any company able to take advantage of rising consumer incomes and asset prices. Companies supplying tradeable goods will be squeezed by foreign competition. The trick, says Mr Edwards, is to look for sectors insulated from this: construction, retailing, retail

banks and property. Soaring Dublin property prices tell the story already. And Saturday's EU communiqué showed Ireland grappling with the pressures created by joining the euro. In a splendidly fronic phrase. Europe's finance ministers and central bank governors gave an approving nod to "the intention of the Central Bank

present monetary policy orientation, which is aimed at achieving price stability".

of no more than nine months since the Irish central bank loses control over monetary policy from the end of the year when the European Central Bank takes over. Saturday's revaluation marked the last exclusively Irish act in the country's brief history of monetary and exchange rate independence. Saturday's meeting also

ensured that those searching for Euro-Bubble stocks now have another candidate: Greece. By joining the exchange rate mechanism, as an explicit precursor to trying to qualify for the euro by 2002, Greece has signalled its enthusiasm for subjecting itself to the same forces. I should end with a caveat.

This style of analysis is essentially national in focus, and will at some point prove outdated. The single currency and the single market will lead to true pan-European businesses, muffling the impact of local developments on corporate profits. Immobile assets, such as property, will boom or bust along with national conditions. So will second-tier stocks, domestically focused. But once the European rationalisation process is complete, big companies will be largely

immune. It may take a generation to reach that peaceful state, however. In the meantime, expect a bumpy ride. neter martin@fl.com

Congratulations! Winners of the PLC Awards 1997:

New Company of the Year: Holmes Place PLC (Equity finance provided by NWEP to fund expansion in November 1996)

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Entrepreneur of the Year: Chris Swan, Finelist PLC (Equity finance provided by NWEP for the MBO in November 1991)

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COMMENT

IT stocks

Hermes links with US governance activists

By William Lewis and Jane Martinson in New York

backed fund in the UK which will target underperforming companies is poor share performances and launched today in the latest questionable corporate govsign that the US trend for ernance structures. corporate governance activists to invest in companies is

taking hold in the UK. Hermes Pensions Management, one of the UK's largest pension fund managers, is teaming up with Lens

Investment Management, received initial committhe US corporate governance ments worth £100m (\$167m) managed by a new company, investment group. The which will invest in large UK public companies with

The fund will aim to press executives at selected underperforming companies to make changes in order to boost the share price and dividend performance. Hermes says it has already

for the fund, which will be Hermes Lens Asset Manage-Focus Fund, and that the US institutions and launched fund's size could eventually in the summer. HLAM will

Calpers, the largest US mes. public pension fund, recently announced it intended to invest in UK Active Value, an activist management group based in the UK, but Peter Butler, corporate focus Hermes is the first UK insti- director of Hermes and chief tution to launch an activist

The Focus Fund will be cent of the shares of approxi-The first institutionally- groups will launch a fund known as the Hermes UK ment, marketed to UK and mately 10 companies In an interview, Robert

Monks, chairman of Lens Investment Management. said companies on the fund's hit list could include BICC nies to effect change. late change in companies in and Rolls Royce, where perthe top 350 with hidden formance had suffered in shareholder value," said

In the US, Lens Investfund which has targeted S&P 500.

At any one time, the fund companies including Eastis likely to own up to 10 per man Kodak. Sears Roebuck and Waste management International. Tactics employed by Lens include calling for management departures and joining the boards of recalcitrant compa-

Over the past five years the Lens fund has achieved a nominal compound rate of return of 26 per cent to July ment Management operates 31 last year, compared with an active value investing a 21 per cent return for the

stocks have brushed aside information Technology the profit warnings that have afflicted their US brethren. The FTSE Information Technology index, born two months ago, has scarcely stumbled in its upward march, rising 40 per cent so far. Yet its constituents trade

on ratings that look stretched. Share prices for many of them are more than 30 times this year's expected earnings - 70-80 per cent higher than the market average. This does get some underplining from IT earn- same n ings growing at a fair clip of

more than 20 per cent, but alarm bells should sound. Computer programmers' wages are rising 15 per cent a year. So far, companies have been able to pass on those extra costs. But at some point, customers will balk and margins will come under pressure. A further concern is that while earnings growth for the sector looks assured for a few years - thanks to the millennium time bomb and European

monetary union - it is likely to slow thereafter. These are valid points. But the bulls believe it unlikely earnings growth will slow to a more pedestrian level of, say, 10 per cent after 2000. Millennium gremlins may linger, the Emu project will have further to run, and other, deferred, IT work will kick in. While it takes an act of faith to believe the sector can keep growing at its present rate, heavy braking looks equally unlikely. The bears should hold off.

Company taxation

The devil in the Budget is often in the detail. One measure that will have every finance director and accountant rifling through the small print is the new method for corporation tax payments. An updated system will, of course, be a welcome replacement for advance corporation tax, made redundant by the rupturing of the link with dividends and the internationalisation of company earnings.

Most crucially, companies will be looking for a compromise on how they are to assess themselves for tax. The original proposal was for them to forecast their annual profits, and then to pay four equal quarterly instalments starting about half-way through the year. While companies will inevitably have to pay more tax sooner, with the final deadline brought forward six months, forecasting remains too much to swallow.

Whether or not the Inland Revenue is leak-proof, it would be uncomfortable for quoted companies to be conducting formal forecasting exercises but keeping the stock market in the dark. There have been hints of a compromise which would allow some payments to be based on the previous year's profits. Companies will be disappointed if this does not apply to at least the first two instalments.

The extent to which the Labour government has listened to corporate complaints about its original proposals will be a good test of how business-friendly it really is

Global presence makes commercial logic

Christopher Adams profiles the chief of Royal & Sun Alliance

obert Mendelsohn has around the world has not wasted little time since taking over as chief executive of Royal & Sun

Alliance in December.

Sensitive to criticism that Britain's biggest insurer lacked direction under the dual leadership Richard he has orchestrated a shake-up designed to raise the group's profile in commercial insurance and boost its share of personal financial services.

Decision-making will be

devolved to overseas branches and the group has been organised into three time zones - North America, Europe and Asia - each with its own locally-based boss. Executive directors have also been appointed with responsibility for investment management and customer

"This is about psychological change," says US-born Mr Mendelrohn

"We're not thinking of our-selves as a UK-based composite insurer any more, but as a global provider of financial services. We have two different kinds of customer business and personal – and we're trying to organise ourselves around their needs. Multinationals, for instance, buy insurance on a global basis, but co-operation between our own businesses

Airtours

launches

loyalty

scheme

By Schiphorazada Daneshkhu, Leisura

Industries Correspond

Airtours, one of the UK's

be 75 per cent owned by Her-

"The objective is to stimu-

executive of the new com-

nesses into one that succe clients.

out of the running last

"With the European strat-

purely domestic customers try where every culture is and the personal market, I'm different. not losing any sleep over

Robert Mendelsohn: 'This is about psychological change'

France and Germany. He says the group is pre pared to quit unprofitable areas and is reviewing its direct selling operations in continental Europe. in part, this has been spurred by the a significant force in perunexpected need to strengthen reserves against claims in the Italian motor business, where Royal set up

US targeting extremely

wealthy investors, with port-

than hundreds of thousands.

Chris Hynes, executive

vice president of State Street

Global Advisors, said: "Indi-

viduals worldwide have

amassed significant wealth

recently due to strong US

kets. This has prompted

many investors to seek com-

plex, tax-efficient investment

strategies to preserve and

develop a range of products, including hedge funds, spe-

cifically for its new service.

"We have a range of hedge

fund products that we are Management.

The company plans to

grow their wealth."

In the US, where Royal &

Sun Alliance is already well represented in commercial lines but less so in personal. Mr Mendelsohn accepts it may not have the capital resources needed to become sonal financial services.

Anyway, he says, insurance is about the spread of risk. To this end, the group has been building its pres-"We'll be getting out the Pacific rim. "As you get of places where you can't a spread of business round make money. In personal the world, the odds of everylines, we'll be a regional thing going wrong at the player, looking at each coun- same time are very thin."

well as a range of more con

ventional products, such as

index funds" said Nigel

Wightman, managing direc-

the main competitors to

SSGA's new service as other

big hedge fund managers

and a few private banks,

such as JP Morgan, which

worth clients. Most UK

investment banks and stock-

brokers are not perceived as

appointed director of sales

for trusts and investments in

the UK. He was previously a

sales director at LCF

Edmond de Rothschild Fund

James Palmer has been

being competitors.

Mr Wightman identified

tor of SSGA UK.

NEWS DIGEST

LEISURE

Menzies Hotels seeks £15m in April flotation

hotels from receivers, is coming to the London market next month. The group, which is aiming to raise £15m (\$25m), is expected to have a market capitalisation of about \$50m.

Nick Menzies, chief executive, started the company in 1992, and has bought more than half its mainly three-star hotels from receivership. He said yesterday that 26.3m of the money raised would be used to purchase four hotels leased to the group by the Royal Bank of Scotland, while £3m would redeem preference

shares and 25m of a £12m debt total would be repaid. The group, which made pre-tax profits of 93.1m for the year to January 31, invested £5m last year and expects four hotels to be upgraded to four-star status. Mr Menzies is selling £200,000worth of shares, and is expected to have about 35 per cent stake after flotation. RBS will retain about 16 per cent. David Blackwell

INSURANCE

Cornhill suffers 5% decline

Comhill insurance, the UK subsidiary of Germany's Allianz group, suffered a 5 per cent profits decline last year, following the 16 per cent fall in 1996. Ray Treen, chief executive, described the prospects for UK general insurance this year as "not promising. Competition is more intense than ever and profit margins are still declining in many lines of business."

Pre-tax profits were £58.8m (£61.6m), while net premium Income rose 5 per cent to £703.7m. While profits on general business fell from £30m to £25.5m, the life business improved from 25.9m to 28.4m. The group said new business in the smaller life assurance arm rose 26 per cent. David Blackwell

OIL AND GAS

Monument Oil funding

Monument Oil and Gas, the independent explorer, has agreed to fund BP's share of an exploration programme in three North Sea blocks, in return for some of BP's equity in the blocks. Under the agreement - which is subject to government approval - Monument will fund up to four wells in return for 50 per cent of BP's equity in the blocks. Virginia Marsh

Emerald Energy, the oil and gas explorer based in the Isle of Man, said it was having to raise funds following delays and techof 52m shares at a price of 6.75p through WH Ireland and working capital to a more prudent level*. Virginia Marsh

Memo may hit tobacco shares

Shares in Gallaher and Imperial Tobacco, two of Britain's biggest cigarette companies, could come under pressure today after weekend revelations that Gallaher executives knew of the dangers of cancer from smoking years before acknowledging cigarettes could damage smokers'

The findings, in the form of a confidential 1970 internal memo from Gallaher's general manager of research to its managing director. could weaken the position of the company in the court action being brought by 53 British hung cancer victims.

After the failure of an attempt to derail the case on procedural grounds, the action will gather pace on April 3, when a judge will be named and a timetable set out. The trial is expected to start next year.

In the confidential memo. Gallaher's research manager reviews two experiments using beagles to assess the potential carcinogenic effects of smoking. He concludes the research "would appear to remove the controversy regarding the causation of the majority of human lung cancers". The work done "proves beyond all reasonable doubt the causation of lung cancer by damages would not be mate-

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1998. Interest payable on 16 June 1998 will amount to

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note and ITL676,977 per

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Clive Bates, director of Action on Smoking and Health, an anti-smoking and weasel words on smoking and lung cancer have to stop. It really is disgraceful, especially now their own documents reveal they have known with absolute clarity since 1970 that smoking

causes lung cancer." Gallaher was not available for comment. Imperial Tobacco said: "Any document like this has to be seen in the context of the many, many documents on the sub-ject. One would need to look at all of them to put things into context,"

A senior digarette industry spokesman said anti-smoking lobbies seized on any damaging material on smoking, but ignored potential contradictory evidence.

Gallaher, after announcing profits of £337.2m (£301.9m) for last year, said last week tts legal advisers believed it had "meritorious defences to the actions and claims against it

"Gallaher believes that the pending actions will not have a material adverse affect upon the results of the operations, the cash flow or financial condition of the group," it said. But the group said there could be no assurance it would not incur damages, or that any

Dated: 16th March, 1998

BANK OF GREECE

Floating rate notes 2003

The notes will bear interest

at 6.46875% per annum for the period I I March 1998 to

11 September 1998, Interest payable on 11 September 1998

oer US\$1,000 note will amount

Agent: Morgan Guaranty Trust Company

US\$300,000,000

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NOTICE

to the holders of the outstanding

Due 2005 of the Issuer

(the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on 24th February, 1998 and held on 12th March, 1998, the Ermonthiary Resolution set out in such Notice was duly passed. Accordingly, the proposal for early repayment of the Bonds referred to in the Engrandinary Resolution has become effective and the repayment price of the Bonds in £1,121,54 per £1,000 in principal amount of the Bonds. Psythems of the repayment price and accrued interest will be made subject to, and in accordance with, such proposal and Condition 7 of the Terms and Conditions of the Bonds on presentation and surrender of the Bonds and all unmarted interest coupons expertaining thereto at the specified office of either Psytos

coupons appertaining thereto at the specified office of either Paying Agent on or after 18th March, 1996.

been good enough.

The latest shake-up bears the hallmarks of a minor revolution that Mr Mendelsohn forced through while head of US operations at the old Royal Insurance. There, he transformed a bureau-Gamble and Roger Taylor, cratic, unresponsive and unprofitable division concentrating on small, local busifully tapped Royal's global presence to attract bigger

> There are differences how ever. He is not looking only at commercial insurance and the group is likely to seek France has become a diffi-

cult market in which to operate, he says. Potential acquisition targets are attracting much interest. and the group may not find one that meets its criterion of a 10 per cent net real return on investment. It carried out preliminary due diligence on Gan, the French state-owned insurer that is to be privatised, but dropped

egy, you have to think about your ability to sell products everywhere in the community. In commercial lines, we can write business through brokers. While we are missing the ability to service

a telesales operation four years ago.

State Street to offer asset service to UK's wealthy

State Street Global Advisors of the US, the seventh larg- folios worth millions, rather est investment management organisation in the world. of pounds. will today announce the launch of a London-based service targeted at very high

net worth individuals. largest package holiday companies, is to become the first The group aims to attract tour operator to operate a substantial amounts of money - a similar service and European capital mar- also target very high net customer loyalty scheme by offering points which can be that it runs in the US has redeemed to reduce the price \$12bn under management. of future holidays.

SSGA, set up in 1978 as the The scheme, which will be fund management arm of introduced later this month, State Street Corporation, now manages about £235bn for institutional clients. Its is aimed at promoting brand awareness in a notoriously price-conscious industry. sister company. State Street. Too many choices are made

Bank & Trust, has more than \$2,400bn under custody. The new service is SSGA's

on the basis of price or destination rather than the brand," said Richard Carrick, marketing director. He also said the group's market research had shown

people wanted to receive more holiday information. The loyalty scheme comprises a discount card offered to the group's customers while on holiday giving reductions at local and UK outlets. It also includes the offer of an Airtours Visa credit card provided by Beneficial Bank. The Visa card accumulates points which can be redeemed against the

price of an Airtours holiday. Airtours said the average redit card holder, spending £3,000 annually with their card, was likely to accumulate points worth a £50 Airtours boliday discount.

Mr Carrick said 30 per cent of those on an Airtours holiday had booked a similar holiday with the company the previous year. In any year, 60 per cent of its customers had taken a holiday with the group previously .
Although the repeat business was relatively high, Mr Carrick said this tended to be due to the group's size -

the UK - rather than because of a decision to book with Airtours. Thomson, the UK's largest package holiday group. agreed that loyalty schemes were a valuable way of building a long-term rela-tionship with customers. The schemes can take dif-

card," it said.

it sells 3m holidays a year in

BTR is in negotiations with

plete the transformation of the group from a conglomerate to a focused engineering

available for comment yes- 187p on the day.

to be pleasantly surprised by news of the potential deal, as year by 5 per cent, when the BTR was understood to be

be done would be the US building products division. Earlier this month, BTR bottling business to Owens-Illinois of the US for £2.2bn. News that the better-thanexpected sale price would

group warned that it was still suffering from turbulent developing markets and the strong pound. But the shares recovered from the setback, and closed on Friday at 195%p, after ris-

Profits before tax and

engineering divisions.

BTR in talks with CVC Capital about disposals A few days later analysts

By David Blackwell terday. But the City is likely cut their forecasts for this

CVC Capital Partners to sell its Australian building products division and its Formica laminates operations for about £650m.

The deal, which could be announced as early as this week, would almost com-

Neither BTR nor the ven-

planning a flotation. The only disposal still to

sold off its glass and plastic allow BTR to hand back £2bn to shareholders helped ture capital group were to lift the shares by 25%p to

exceptionals fell last year to

£1.06bn (£1.26bn), in line with expectations. The damage to profits was more limited in the four core

Emerald Energy raising £3.4m

nical difficulties in Colombia. It was making a conditional placing Teather and Greenwood to raise £3,4m net. This would "restore

Keep Lonrho Africa shares, directors say

Directors of Lonrho are advising shareholders to independently in May. hold on to their stakes in lection of African motor Lonrho Africa's earnings dealerships, hotels and agri- trend and outlook had been cultural assets is demerged strongly upward it would later this spring.

though not necessarily a turbulent weather in several

Such factors could depress the new company's value when its shares are listed Sir John Craven, Lonrho's Lonrho Africa, when the col- chairman, said: "I suppose if

have been slightly nicer." He Some analysis have ques- stressed, however: "All we tioned the timing of the are doing is giving sharedemerger, as Lonrho Africa's holders the assets and earnferent forms and you can profits will be depressed this ings stream they already rho Africa is undervalued. ing it with 6.1 pr cent. expect something from us. year by political unrest and own in a different form."

Robin Whitten, finance ticularly from South African with the Inland Revenue for hold on to his shares in Lonrho Africa. Terence Wilkinson, the director in charge of Lonrho mining, added: "Who

would dare sell?" Analysts have speculated that caution among London price on a diverse portfolio tries could mean that Lon-Such circumstances could

Lonrho took two signifi-

cant steps towards its goal of shareholders. becoming a focused mining company on Friday, with the R1.38bn (£167m) acquisition of the Tavistock colliery in South Africa and the agreeinvestors about how to put a ment to buy back a 21 per cent block of its shares from of assets in 14 African coun- Anglo American, the South African mining giant, leav-

the demerger to be treated as a tax-free distribution to

The parent company, which will span coal, platinum and gold mines once it has sold Princess Hotels, is expected to drop the Lourho Dame

It said the name, which refers to the group's origins as the London and Rhodesian Mining and Land Com-Lonrho has agreed to pany, no longer reflects its Sir John joined Nick More encourage a bid for some or inject £48m into Lonrho activities, but the board has turbulent weather in several Sir John joined Nick Mor- should be sub-Saharan markets. rell, chief executive, and all of the new company, par- Africa, and has won a battle yet to decide on a new title.

Agent: Morgan Guaranty Trust Company **JPMorgan JPMorgan**

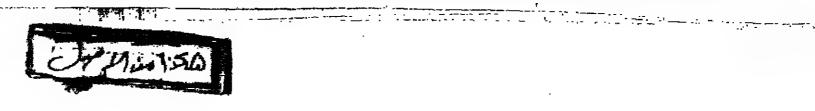
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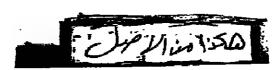
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• Can Mitsubishi Motors recover?



Sabie c



Stora says efficiency gains will boost profit get \$650m Thai steel group to get \$650m Alcoa bids to expand on two fronts the Alumax offer will not affect Venezuelan plans, write Raymond Colitt and Nikki Tait gas and minerals. The Growth smeller

Stora, the Swedish forestry group, is to launch an efficiency drive it predicts will help double profits in the next two to three years and boost its competitiveness in a globalising industry.

Björn Hägglund, Stora's organic growth, would generate annual savings of SKr3.5bn (\$443m) by the end of 2000 and lift return on capital from 7 per cent to 13-14 per cent.

Mr Hägglund, who succeeded Lars-Ake Helgesson as chief executive last week, stressed his priority was on streamlining Stora's existing operations a large Nordic paper group. rather than participating in the consolidation currently sweeping the international pulp and paper industry.

Berggren, Stora's chairman key rivals. until last week, that the company needed to merge survive in an increasingly global sector.

and return," Mr Hägglund strong productivity said in an interview with the Financial Times.

"Concentration can be positive, but it isn't always so easy to create long-term value for shareholders via this route.

Stora shares have risen sharply in recent weeks on 5 per cent of Stora's mills speculation of a merger with were non-core.

He distanced himself from ating performance has recent comments by Bo lagged behind that of many

Mr Hägglund acknowledged that Stora's average with a big rival to provide return on capital employed the critical mass needed to of 7.5 per cent in the past five years had been "too bad", but he made clear a "Among forest products big merger was no guarannew chief executive, said the companies there is no apparted panacea. Instead, he measures, combined with ent connection between size said potential existed for

> increases at Stora's mills. He said the company would refrain from capitalintensive investment in new plant in the next two to three years to concentrate

on harnessing these gains.

Mr Häggfund said around

Buyers would be sought The stock has under- for these operations, which performed the Stockholm include specialty papers and bourse since 1989, during the production of fine paper which time the group's oper- from recycled pulp.

Sabic confident it can ride out Asian downturn

Saudi Basic Industries Corporation, the state-controlled petrochemicals group, is better positioned than rival producers in leading consuming markets to ride out any downturn arising from economic problems in Asia, according to Ibramanaging director.

Last week Sabic, which are cracking. accounts for about 5 per cent of world petrochemical outcent rise in 1997 profits to in the US and Far East.

have risen 37 per cent over prices.

cent on 1996.

to 23.7m tonnes. Mr Bin Salamah said Sabic, which is 70 per cent

the Saudi stock exchange, benefited from its ready access to plentiful feedstocks him Bin Salamah, Sabic and cost-effective production technology, especially in eth-Bearish analysts said

Sabic could be vulnerable to put, announced a 4.5 per increased ethylene capacity But Sabic has the ability

Sabic's profits have yet to to push sales of ethylene recover to the record \$1.68bn derivatives into Asia and Europe at competitive

Sabic's built-in advantages \$4.7bn in 1994 to \$6.4bn last are its easy availability of

cost which it has been pay-Output over the same ing to its supplier Saudiperiod has risen 18 per cent Aramco, the state hydrocarbons company.

Since January 1. Sabic has had to pay 50 per cent more state-owned but quoted on for ethane as a result of measures the government is taking to meet liberalisation requirements laid down by the World Trade Organisation.

However, the price it pays for feedstock is still well below that paid by western rivals.

Mr Salamah said he believed world demand for petrochemicals would continue to grow.

"The fastest growth will be in the Middle East/North the German traders Africa region at around 9 per



injection

Foreign investors, including

the financier George Soros,

will inject a total of \$650m

into the new Thai steel pro-

ducer Nakornthai Strip Mill.

kind since Thalland's slow-

ing economy was hit by the

baht's flotation and subse-

Investors are calculating

that the cash-strapped but

modern steel company will

be able to export its way into

profit and later sell its out-

put on the domestic market

when the big local vehicle

The deal could be seen as

a turning point in the finan-

said David Stickler, manag-

ing director of corporate

finance at MacDonald and

It involves \$450m in high-

yield bonds and about \$150m

The Enron Corporation,

Steel Dynamic and a fund controlled by Mr Soros have

participated in a \$50m injec-

The new investors have

ring-fenced NSM's

operations from its parent,

the NTS steel group, which

last year defaulted on a euro-

Analysts said the deal was

a welcome vote of confidence

in Thailand but a slightly

The mill is essentially a

greenfield project without s

track record and starting out

with a fairly heavy debt bur-

den, said Sriyan Pletersz,

head of research at SocGen

About \$270m of the new

money will help finish the

Eastern Seaboard steel

plant, which has an

eight-year contract to sell

steel, at floating prices, to

Preussag Handel and

Klockner Steel Trading.

of senior secured financing.

Company Securities.

tion of fresh equity.

bond payment.

surprising choice.

Crosby in Bangkok.

quent fall last July.

industry revives.

It is the biggest deal of its

Aluminum Company of America is the world's largest aluminium producer. Just how much bigger does it intend to become?

Last week, Alcoa announced a \$3.8bn bid (including debt) for Alumax, the number three aluminium while discussing the deal with analysts, Paul O'Neill, Alcoa's chairman, made clear it would not impinge on the Pittsburgh-based company's participation in the privatisation of the Venezuelan aluminium industry. It has already teamed up in a consortium with Canada's Alcan group, and the duo is

dog" in the bidding. "I don't want you all to think we've closed up shop here," said Mr O'Neill. "We and Alcan are doing due diligence on the Venezuelan aluminium assets. I don't want you all to think we're not a player - a powerful player - for that."

If Alumax is a chunky business, the Venezuelan operations are no minnow. Corporación Venezolana de Guayana (CVG), the state holding company, is looking to sell a 70 per cent stake in its integrated aluminium complex, which takes in two smelters and a carbon anode

producer as well as bauxite mining and reserves. The combined production capacity amounts to 635,000 tonnes a year at present, or some 5 per cent of world production in 1997. Moreover, a long-shelved project could add a fifth production line at a cost of \$400m at one of the two smelters. This would boost total production espac-

Venezuela is also one of the lowest-cost aluminium production sites because of its cheap hydro-electricity

tonnés a year.

ity by 200,000 to 835,000

CVG complex has an estimated value of \$2.5bn to

\$2.7bp. The downside is that it is saddled with \$1.25bp of debt of which \$630m is owed to international creditors. including France's Paribas and Germany's KfW.

However, on the remain-

ing \$620m owed to the government, the winning bidder will have to pay only interest (at 300 basis points above US Treasury bills) during the first four years, before amortising the capital. That debt has not been serviced for seven years. Back in the US, analysts were quick to question

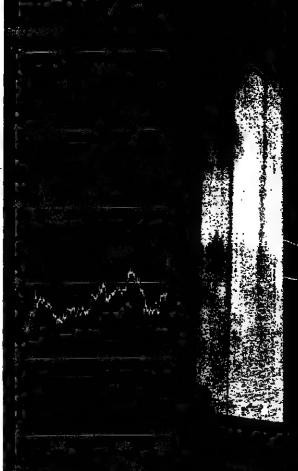
whether the anti-trust issue might prove a more serious obstacle to the Alumax takeover. After all, just three months ago, the Justice Department blocked Alcoa from acquiring a single rolling plant, producing sheet aluminium to make beer and soda cans, from Reynolds Metals, the number two US producer.

The \$250m deal, it said, was a "classic case of a highly-concentrated industry becoming even more concentrated". Now. Alcoa wants to take over the industry's number three company in its entirety - superficially, an even more ambitious move. Still, not everyone is

downbeat about the regulatory prospects. Thomas McNamara, analyst at CIBC Oppenheimer, said the Reynolds problem arose in the context of the can sheet segment of the industry, which is highly-concentrated and not significantly affected by the Alcos/Alumax deal.

The merger would not appear to trigger problematic industry concentration levels in terms of total US capacity, he estimates, nor even in the soft alloy extrusions segment where Alumax is a market leader.

The one area that analysts do see as a potential problem



max is the market leader and Alcoa a significant second - but here, regulatory concarns might be assuaged by selective disposals.

Perhaps most interesting is whether the authorities feel a need to consider the Venezuelan deal (assuming the Aicoa/Alcan consortium wine) and the Alumax deal simultaneously.

These transactions would follow Alcoa's purchase last year of Insepal, the Spanish company also sold in a government privatisation, and come when it is still sitting on spare smelting

Mason University, said the acquisitions would take Alcoa's market share of global primary production to about 29 per cent, almost double last year's figure.

The Venezuelan privatisation agency, FIV, has few concerns about anti-trust rulings if the Alcoa-Alcan consortium wins the bid. "We do not see it as an immediate concern," said the FIV's Gretty Suarez, adding that it had received a communiqué from US antitrust authorities, allegedly signalling its endorsement of

ies Hotels see in April flotation



Huaneng Power International, Inc.

(A company incorporated in the People's Republic of China with limited liability)

Credit Lyonnais Securities Asia (CLSA) was the sole bookrunner and sole underwriter for the global offering of 250,000,000 H Shares, in the form of H Shares listed in Hong Kong

or American Depository Shares listed in New York raising a total of

US\$ 142,000,000

February 1998



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GERMAN BANKING

Helaba starts searching for possible partner

Germany's over-crowded banking sector looks set for further concentration as Landesbank Hessen-Thüringen (Helaba), a medium-sized public sector bank, embarks on the search for a possible partner. With public and private sector banks now merging, ba had to consider how long it could carry on alone, said Udo Güde, head of the savings bank association for the state of Hesse and Thuringla, which owns the bank.

He did not mention any likely partners, but dismissed the idea of a link with a quoted bank along the lines of Bankgesellschaft Berlin's planned merger with Hanover-based Norddeutsche Landesbank. The Berlin bank combines private and public sector operations. Nor did he favour a vertical amalgamation, such as that under way in Stuttgart, southern Germany, to create Landes bank Baden-Würrtemberg, this will combine wholesale financial activities for the state government and the regional savings bank ment with retail savings bank business.

Mr Güde declined to say whether Westdeutsche Landesbank, Germany's biggest public sector bank, might be a suitable partner or whether any recent contacts had taken place. Previous merger talks between the two foundered 10 years ago. Some analysts regard Bayerische Landesbank as a possible partner. With total assets of DM185bn (\$102bn), Helaba is much smaller than both banks and will be dwarfed by the Berlin-Hanover and Stuttgart mergers. Andrew Fisher, Frankfurt

Turkosh Banking

Akbank plans share sale

The owners of Akbank, one of Turkey's largest banks, plan to raise about \$120m by selling about 3.5 per cent of their equity in the bank to international investors. Morgan Stanley, the Wali Street investment bank, is organising the offering in Aldrank, majority-owned by the Sabanci family. Marketing begins today in Zurich and Morgan Stanley plans to hold sales presentations to investors in Europe and the US over the next two weeks, after which it will announce the stock's price.

Turkish banks have profited strongly from Turkey's high infletion and interest rates. Akbank reported net income up 29 per cent in dollar terms last year to \$598.8m. Robert Fleming, the UK investment bank, said in a research report that Akbank has "one of the strongest balance sheets in Turkish banking, with impressive capitalisation, a healthy loan book, and a strong deposit

An executive said the family will plough the sale proceeds into family-owned Haci Omer Sabanci Holding, which would then buy the bank's industrial assets. Akbank will continue to be listed in letanbul, where it has a free float of 17 per cent, although it will be traded in ADR form in London.

This is part of a long-term plan to separate the group's industrial and financial seems. Akbanik holds small stakes in several group companies controlled by the holding company, which in turn owns about helf of the bank. Last year, the Sabanci family sold 10 per cent of the holding company in a local and internetional initial public offering that raised \$200m, which was partly used to restructure the group. John Berham, Ankera

OILFIELD SERVICES

Salpem issue priced

The planned leave of 100m shares in Salpern, the olifield services company controlled by Italy's Eni oil and gas group, will be priced at L9,900 a share, a 3.2 per cent discount on the closing price of L10,230 on Friday

The offering, of 40m new shares and 60m shares from Enl's stake, will raise up to L1,140bn (\$637m) if an over-eliotment. option of 15m shares is fully exercised. The sale will reduce Enl's stake in Salpern from 86 per cent to 46 per cent, or 43 per cent. including the over-allotment. The capital increase is designed to fund the group's L1,700bn four-year investment programme.

Bankers familiar with the deal said the amount was already more than twice subscribed, sithough the offering will only close

tmen Sechs and SBC Warburg Dillon Read are joint book runners of the international offering. IMI, the Italian bank, is lead manager for the domestic institutional tranche.

SWISSAIR APPOINTMENT

Peter Petersen joins Nuance

Peter Petersen, former president of Swatch, the world's top selling watch brand, is joining SAirGroup, parent of Swisselr, in a bid to revive the fortunes of Nuence, the world's second biggest operator of duty free shops,

Mr Petersen, a German who has worked for Chase Manhattan and Goodyear, replaces Flené Daffion, the Nuance chief executive who masterminded the ecquisition of Aliders, the UK duty free stors group in June 1996. The acquisition was criticised because the Swiss sirline appeared to have overpaid for a business that was about to lose several of its most lucrative management contracts and face a serious threat from the ending of duty free shopping in Europe by 1999.

Nuance has grown rapidly over the last few years and now has sales of SFr1.5bn (\$1bn) a year. However, SAirGroup admitted last year that Nuance's results were not living up to expectations. It said turnover and profit targets had not been achieved and the integration of the Aliders duty free and retail chain had taken "more time and been more cost-intensive than originally envisaged". Australia, an important part of the business, had been per-

Mr Petersen, who will join Nuance in the late summer, is a member of the executive board of SMH, the world's biggest watch company. Until recently, he headed Swatch, SMH's lead-Ing brand, but was recently replaced by Nicolas Hayek, son of SMH's chairman. SAirGroup, one of SMH's bigger customers, described Mr Petersen's appointment as a "significant step in William Half, Zurich

TARGET

Wolter Kluwers (N'lands)

Boehringer (Germany)

Avenor (Canada)

CROSS BORDER M&A DEALS

BIDDER/INVESTOR

Roche (Switz)

Pan-Europe banks 'in 5 years' Heineken sees

By George Graham and Andrew Mesk

A pan-European market for retail financial services may take no longer than five years to emerge after the introduction of the euro, according to Daniel Bouton, chairman of Société Générale. France's largest private sector bank.

Mr Bouton has argued in the past that the creation of a single currency would not be enough to create a single market for banking services for personal customers, and Société Générale has no plans to expand in the retail sector outside France.

"I haven't changed my mind about retail banking activities. I still consider that differences in mentalities, savings regulations and tax laws will continue for several years to be very efficient barriers to multinational retail banking," he Nevertheless, Mr Bouton

said these barriers would not last as long as many people expected, even if language differences meant that there would never be a fully uni-

Starting as early as 2000, pressure would grow from



consumers for the harmonisation of tax rules on savings and investment

"Let's assume two years where nothing happens, and then two or three years of political debate, but I don't foresee that it will take more than five years before we

have a common basis for fiscal regulations."

Société Générale, which last week reported a 34 per cent increase in net profits last year to FFr6.1bn (\$1bn). has raised eyebrows in the investment banking industry with a string of small acqui-

arms of Hambros of the UK and the asset management arm of Yamaichi Securities in Japan, the French bank has struck deals with three US corporate finance boutiques including: Barr Devlin, a New York-based specialist in the utilities sector. Bannon & Co, a Beverly Hills media sector adviser. and Cowen & Co, a New York healthcare, technology and media firm.

Mr Bouton said these acquisitions were carefully targeted, and not intended to vault Société Générale into the top tier of global investment banks.

"The aim is not to build a bulge bracket investment hank with global capacity. What we are doing is adding commission-driven revenues to our wholesale business in some parts of the world." Each of the US firms, he

said, added expertise in sectors where Société Générale was already a significant

"My intention is to stop this acquisition process for some time while we digest, but if we did something more, it would be to add one more industry line."

Besides the corporate finance and private banking arms of Hambros of the IIK

By Gordon Cramb in Amsterdam

Shares in Heineken, the world's second largest brewer, surged 7.7 per cent on Friday as it served shareholders a scrip issue and stock split along with a The results confirmed a

return to growth at the An unchanged cash dividend, and an acknowledgement that it had lost first Fl 13.51bn (\$6.6bn). place in the US market for imported beers, were brushed aside.

Karel Vuursteen, chairman, conceded defeat to Mexico's Corona as the Americans. But he argued that this

had come amid a price war. Heineken, which outside the Netherlands and the UK is sold as a premium product, was staying aloof.

Heineken said it was concentrating on profit margins and long-term strategy in the US, the world's largest beer market. To enrich the mixture, the

10-year benchmark bond yields

group is adding niche brands to its US portfolio. Corona's Hispanic appeal is being countered on a modest scale by Desperados - a beer with a tequila aroma, produced by Heineken's Fischer subsid-

lary in France. Heineken sold 73.8m hectoheady rise in annual profits. litres worldwide last year, an increase of 4.4 per cent which it said compared with Dutch group after a flat 1996. 1 per cent for the industry as a whole. Revenues were ahead 11 per cent at

Net profits at F1 761m were ahead 16 per cent, at the upper end of analysts' forecasts. Earnings per share were Fl 15.18 against Fl 13.06. Although the basic cash import of choice for dividend for the year remains at Fl 3.50, shareholders are to receive one bonus share for every four held, plus 69.4 Dutch cents to cover domestic

withholding tax. The shares will then be split five-for-one, meaning that a holder of four existing shares will end up with 25. In Amsterdam on Friday

the shares closed Fl 32.40 higher at FI 454.40.

INTERNATIONAL BONDS TRADING IN LOCAL INSTRUMENTS HAS OUTSTRIPPED THAT IN EMERGING MARKET DEBT

Tomen to reduce directors to a third

By Michiyo Nekamoto la Tokyo

Tomen, one of Japan's leading trading companies, is reducing the number of directors to a third of its current level over the next two years in a major restructuring effort. The move follows a dismal performance that has forced the company to pass its dividend for the first time in more than 40 years.

The agrochemicals to machinery group, which is Japan's seventh largest trading company, warned it would report net losses of Y19bn (\$148m) in the current year - largely as a result of Y37bn write-off related to latent losses from financial assets and affiliated compa-

Under the restructuring programme, one of the most dramatic undertaken in a wave of similar action mainly seen in financial services sector, eight directors, including chairman Yasuo Matsukawa, will step down. be reduced by between 10 per cent and 30 per cent,

Tomen also aims to consol idate the number of its affiliates from 472 to about 50 and reduce its payroll of 2,780 by about 400. It also aims to reduce its borrowings. of Y1,064.8bn by about Y200bn.

Tomen's dismal performance reflects the pressures on Japanese companies after the bursting of Japan's asset bubble and the weak stock market. Y25bn of the writeoffs relates to losses incurred because of the weakness in share prices.

It is the first time in more than 40 years Tomen will have posted a full-year net loss. It reflects the damage the Asian crisis is having on Japanese trading companies, which have been deeply involved in infrastructure projects in the region.

A company bound by tra-

dition, which dictates that relationships often take precedence over profits, Tomen is under pressure to prepare for increased competition in key markets where the increasingly global nature of industries has weakened the role of Japan's trading

COMMENT

Abandoned

Price cut

VALUE

\$17bn

Pharmaceuticals \$10.2bn

Forest products \$2,4bn

Investors boldly cross final frontier

Assets denominated in local currencies were always seen as the "final frontier" in emerging market investment. This frontier was crossed boldly by increasing numbers of international investors during last year's bull market.

Trading in local instruments grew by 18 per cent to \$1,500bn in 1997, outstripping the general progression in emerging market debt. which rose by a more modest 12 per cent, according to the Emerging Markets Traders Association. Brazilian local instruments saw the sharpest growth, with turnover rising by 159 per cent.

"The risk-reward profile is very different for local instruments because of the added exchange rate risk." says Peter West, chief economist at BBV Latinvest. "But the potential rewards are often much greater.'

investors' growing accepreflected in the shift from Brady bonds - which are induce an added risk dimen-

sion, because they expose investors to the risk of being reimbursed in a devalued

Mr West points to two main factors behind the rising attractiveness of Latin American markets: • The "pull factor": sound economic policies and market-orientated reforms have

made these markets less • The "push factor": bond yields in industrialised countries have fallen to record lows as a result of fiscal discipline, a reduction in inflation and a fall in government bond issuance, which

Analysts also believe investors are attracted by Latin, America's transparency and safety relative to other emerging markets.

has forced yield-hungry

investors to turn to riskler

"These markets are more transparent than other emerging markets, such as Asia," says Christina Heinl, tance of risk was first head of investment at BB Securities, the London investment banking arm of nomic reforms remain on reversal of the trend."

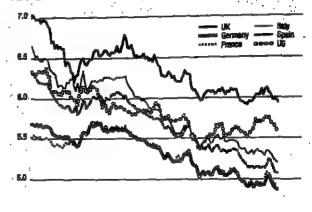
track, investors will continue to show interest." Mexico, Argentina and

Chile are also "going in the right direction", she adds. Latin America, however, was not entirely unaffected by the spillover from last autumn's Asian turmoil. The flight to quality, which led investors to retreat from Asia and eastern Europe to the most stable North American and western European bond markets, was also felt

south of the US. The increase in trading occurred primarily in the first and second quarters. and declined markedly in the second half of the year when Asia-related currency concerns adversely affected the Brazilian markets," says the EMTA.

limited compared with some Asian markets.

caused a sell-off in most Latin American markets, Mr West believes that the panic was short lived: "The fact Asian crisis, so they will that Brazil managed to defend its currency success- Latin America," she says. backed by US Treesury secu- Banco do Brasil. "Brazil, in fully when it was under expose the buyer to the risk a good story for quite a tor confidence. The crisis out, especially with several reverse existing reforms, but of default. Local instruments while. As long as the eco- was more of a setback than a countries facing elections - whether they will maintain



However, the decline was. Ms Heinl believes that May Brazil in October and after the worst of the turmoil was overcome, some While the turmoil also markets could benefit from the lingering uncertainty. "Some people feel we have

not seen the end of the

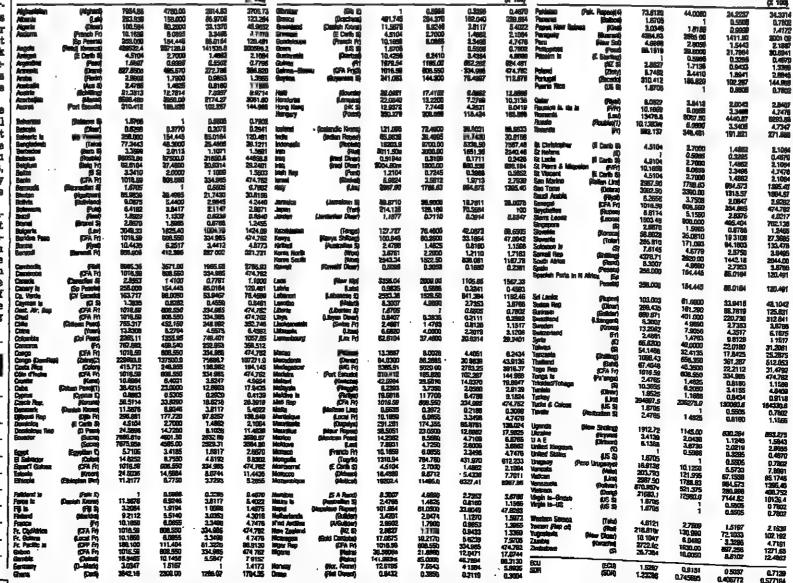
continue to focus more on But further, more local-

Venezuela in December, And in times of uncertainty, local currency instruments have traditionally proved more volatile than Brady bonds or europonds. But analysts do not expect any significant damage from a potential rise in volatility.

"The question is not that new governments might Ecuador and Colombia in momentum," says Mr West.

44,0080

The table below gives the latest available raise of auchange (rounded) against four key Correccion on Printay, Mench 13, 1995. In some cross the raise in monical, Market raise are the average of buying and entiring raise accept where they are above to be charveled. In some cases market raise have been calculated from those of foreign currinquies to which they are ted.



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Beats Abitibi Fortia (Belg/N'lands) John Alden FC (US) Bolt-on buy GSM (German) Steyr-Daimler (Austria) Engineering Tops Magna bid Dominion Energy (US) Archer (Canada) Oil & gas Offer agreed Nomica (Japan) IPB (Czech Rep) Banking Long awaited GE Capital (US) Barcom (UK) Plant hire Earth moving Astor Universal (US) Packaging \$59.7m Fit in foils Avon Rubber (UK) HI-Life Rubber (US) Rubber

SECTOR

CITICORP

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Sept. Sect. 10

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Red faces over Steyr-Daimler-Puch Wolters

By Eric Frey In Vienna

The sale of Austrian vehicle maker Steyr-Daimler-Puch, which looked straightforward a few weeks ago, has turned into an embarrassment for Bank Austria, the country's largest bank, and parts of Austria's business establishment.

Creditanstalt, the wholly owned subsidiary of Bank Austria, was just a day away from finalising the sale of its 67 per cent stake in the automotive group - and its 50 per cent holding in Steyr's profitable joint venture with Chrysler - to Canada's stake should be worth at day's meeting. Magna International when political criticism and a ten- management now has to tative but better counteroffer forced it on Tuesday to delay the decision.

Since then, several other bidders have stepped for-

than the Sch3.5bn (\$274m) tria to Canada, where he which liked Mr Stromach's man Frank Stronach, put on

man investor group; a group Androsch, the former the hoard of Magna Interna-finance minister and Creditional tanstalt chairman; and Borg concern and Magna's main competitor in the North American market

least Sch5bn. Creditanstalt's explain why it was so eager to sell Steyr to Magna for what looks to many like a bargain price.

Mr Stronach, who emiward, all willing to pay more grated in the 1950s from Aus-

that Magna's chairman, the founded Magna, is close to emphasis on a co-operative Franz Leibenfrost, another Austrian-Canadian business former social democratic relationship between man-former top executive in the who arranged the initial con-They include GSM, a Ger- tacts for the Steyr deal.

Bank Austria chairman formed around Hannes Gerhard Randa also sits on

The deal was announced Warner, the US automotive on January 9, but the details were unclear. The bank's management first tried to get approval by the supervi-Analysts have long argued sory board by written conthat based on Steyr's annual sensus, but when some memcash flow of more than bers complained, it was put Schibn, the Creditanstalt on the agenda of last Tues-

> with Austrian business practice, not to speak of international practice." Mr Androsch said in a television interview yesterday. Magna's bid was welcomed

This was not done in line

chancellor Franz Vranitzky, agement and employees. In Creditanstalt group, Mr Leirecent years, Mr Stronach has created and guaranteed thousands of jobs in the Austrian car supply industry. through investments and acquisitions. But Bank Austria shareholders were less impressed

> The tussle over Steyr is reminiscent of the drawn-out privatisation of Creditanstalt, which took almost 10 years and ended with Bank Austria swallowing its main rival after a series of political battles. Many of the forces now lining up against a sale to Magna seem to be linked to Creditanstalt's former top management.

ditanstalt in the 1980s, was the first to criticise the by Steyr's workers' council, Magna offer.

benfrost is understood to have approached the hank's management some months ago with an offer to buy Stevr. He arranged for GSM to make a last-minute entry that stopped Magna in its tracks and forced Creditan-

stalt to postpone the sale. The smart money in Vienna is still on Magna to win the Steyr battle. There are doubts over whether GSM will actually make a binding offer.

On Friday, the group complained about a lack of co-operation from Creditanstalt and demanded a 12week moratorium to study Warner is believed to have entered serious negotiatious

EMERGING MARKETS RATING AGENCIES ARE CONFUSED OVER THE STATE OF THE ECONOMY

Russia seeks to level debt mountain

By John Thombill in Moscow

Last week, the financial experts at the Fitch IBCA credit rating agency reviewed the Russian economy and confirmed their BB+ long-term foreign currency outlook. Later in the week, the rival Moody's agency studied the same evidence and decided that greater caution was needed. It downgraded Russia's sovereign debt rating from Ba2

Mikhail Zadornov, Russia's thoughtful finance minister, was not the only one to be baffled by such a stark divergence of views. "The agencies received from us totally chiective information and drew conclusions that were the exact opposite of each other," he said. "This is like the philosophical argument about whether a glass is half empty or half full."

Yet if the rating agencies are confused about the current state of the Russian economy, then maybe they understand the situation all too well. Russia may have endured the worst of the financial buffeting that folit is still uncertain how the moment."

economy will turn out this year - especially after president Boris Yeltsin's latest health scare.

Those who argue that the glass is half full claim that Russia will soon re-enter the virtuous circle that began last year when the country finally reintegrated itself with international capital markets.

Peter Boone, co-head of research at Brunswick Warburg, the Moscow-based stockbrokers, estimates \$10bn of foreign loans will flow into Russia this year as the federal and local governments and big corporations restart their international borrowing programmes.

"That capital will increase the liquidity in the economy and build up central bank reserves. We will see the money supply starting to go up, deposits and bank lending will increase, and that will improve all markets," he says.

quarter and that rate will accelerate with the capital inflows. I think the situation is much better than most lowed the Asian turmoli but investors think at the

Already, yields on Russian 630 basis points over US Treasuries in November 1997, have rarrowed again to less than 460 points over. Yields on domestic treesury bills [GKOs] have also tumbled to less than 30 per cent as investor confidence

This month, the central "The economy is likely to bank has bought \$600m of grow 1.5 per cent in the first foreign currency, rebuilding its reserves to about \$16bm. Such is its renewed optimism that on Friday it chopped six percentage points off the refinancing rate to 30 per

surobonds, which shot up to correlation between bond yields and equity prices in tary state of the two markets. Consequently, share prices have risen strongly since late January as bond yields have fallen. The RTS index, which fell more than 53 per cent from its peak in October, has rebounded 32 per cent over the past six

> "The equity market does not have a mind of its own at the moment. It is simply following the bond market," says John Paul Smith, Russia analyst at Morgan Stan

does not go up by at least one-third by the spring, both the bond and the equity markets have serious problems."
The sceptics, who view the Russian glass as half empty, highlight the country's continuing problems with public finances as the biggest danger to its putative economic recovery - and stock market valuation.

Although, in theory, resource-rich Russia should have no trouble in sustaining a large volume of debt, it runs the risk of a short-term cash-flow crisis. This year, Russia will spend one-quarter of all federal expenditure - or 4.4 per cent of GDP - on servicing its internal and external debts, some 50 per cent of GDP.

So long as Russia runs a balanced primary budget deficit. sees a pick-up in economic growth, and achieved a real appreciation of the rouble, then this debt mountain should subside to a perfectly manageable proportion of GDP.

But, in the meantime. investors in the Moscow stock market will remain worryingly reliant on the assiduity of the tax man.

ahead of target

By Gordon Crassb

Wolters Kluwer, the Dutch publisher that a week ago failed to agree a merger with rival Reed Elsevier, has produced annual results ahead of its self-assigned targets and intends to seek other aconisitions.

Net profits rose 21 per cent last year to F1 579m (\$283m), on sales ahead by the same proportion to F15.21bn. Net earnings were Fl 8.43 a share fully diluted, up from F1 7.08 - a 20 per cent rise compared with an objective of 15 per cent annual growth for the rest of the century.

Expenses associated with the abortive merger deprived shareholders of 13 cents per share in earnings. Wolters Kluwer said the after-tax costs were Fl 9m for the year. It increased the divi-dend to F13 a share from F12.48, paying out fractionally more than its promised

The company said it would continue to pursue its formulated growth strategy by means of organic growth and through acquisitions with undiminished energy".

Organic growth expanded 1997 revenues by only 4 per cent but generated a 14 per cent increase in operating income. At Fl 1.22bn this was in total 31 per cent higher, with positive exchange rate influences as well as takeovers accounting for the rest of the gain.

The group spent F1987m on acquisitions last year, committing an additional Fl 252m to deals that remained uncompleted by December. Purchases continued in February with a \$375m offer to buy Waverly, a US supplier of medical ioumals.

Wolters Kluwer said a reorganisation at CCH, a previous US acquisition. would be largely completed this year. That project accounted for two-thirds of its Fl 139m outlay on restructuring. Provisions set aside for similar expected costs were only F146m last year, sharply down from F1 346m in 1996.

NYSE plans European share study

The New York Stock Exchange is to approach several leading European companies to take part in a pilot study which it hopes will encourage a round-the-clock global marketplace for ordi- and their domestic nary shares.

About 12 companies from variety of sectors are to be them to trade ordinary shares on the world's largest stock market rather than their existing American Depositary Receipts.

Several companies have complained about lack of liquidity of the ADRs, which reflect the value of the underlying share while trading as a separate entity. Georges Ugeux, executive

vice president at the exchange with responsibility for the international division, said the decision to list ordinary shares had been interest in non-domestic could take another 12-18 shares among US investors months to roll out the proand the more global nature of companies.

that needs to be taken to create a global market for equity similar to the global

By Jane Martiesen in New York market that exists for bonds." he said.

While some of the largest global companies enjoy very liquid trading in their ADRs. this is not the case for a majority of companies which are listed on both the NYSE

Mr Ugeux said the exchange wanted to "create a market which is more picked as guinea pigs for a a market which is more project which will allow seamless, where the same security is recognised in any system". It has rejected a suggestion that the ordinary shares should trade in local currencies.

They will be denominated in US dollars.

Some 343 non-US companies are listed on the NYSE. with 145 of them based in Europe. The list of about 12 will aim to encompass a sectors and nationalities.

Mr Ugeux said while the exchange could be ready to contact its target companies prompted by the increasing in the next few weeks, it gramme.

Over the past eight years the proportion of US investors holding non-domestic shares has risen from 3 per

Gulf Air returns to profitability

Gulf Air, the regional carrier owned by the governments of Abu Dhabi, Bahrain, Oman and Qatar, made operating profits of \$48m last year following a \$158m loss in 1996, president and chief executive Sheikh Ahmed Bin Saif al-Nahyan said.

loss of \$159m in 1995, amassed debts of \$1.6bm by the end of 1996. These have been cut to \$640m, according to Sheikh Ahmed, by the sale of 17 aircraft worth \$850m. Gulf Air, which has

cut many lossmaking routes to the US and Europe, retains 28 sincreft.

Since last month, six of these are leased from Abu Dhabi-based Oasis International Leasing Company in a \$195m purchase and leaseback arrangement structured by British Aerospace in an 80:20 debt/equity pack-The airline, which made a age. The debt portion is covered by a loan from the Royal Bank of Scotland.

Oasis is reported to be finalising a deal worth more than \$600m to part acquire Australia's Ansett Worldwide Aviation Services.

Recommended Cash Offer CHASE MANHATTAN PLC

oa behalf of
LIFE ASSURANCE HOLDING CORPORATION LIMITED GAN LIFE HOLDINGS PLC

not sirendy owned by TARGETCHIEF PLC Cheen blanksman pin ["Cheen"] amorement on bothalf of Life Admirance Holding Corporation United ("LAFE") that, by seems, of a formal Office Description and despected on 13 March 1996 (the "Office") Description in a mining a recommended office (the "Office") on behalf of LAFE to attend the description and the existing uncontainmantly alloaned or insured and fully paid or other of some on a mining a recommended office (the "Office") on behalf of LAFE to attend to 59 seets and (59 seets and (54 order) and of ordinary attends of 59 seets are of 59 seets in CAFA Lafe Holdings PLC ("GAFA LAFE") and alloaded or insured before the other on which the Office closes for sects or picts or office in the CAFA Lafe and any further or description of the CAFA Lafe almost or insured before the other on which the Office closes (or such corporation in the LAFE many desided including these immed parameter to the outcome greated midder the CAFA Lafe above option orthogone ("GAFA Life Stores").

Sameholders, other then current oversom shaneholders, who accept the Office rany elect to receive LAHC Laun Motos stated of all at some of which they become emitted under the Office the "Laun Note Alternative"). To the extent that a GAN Left Shareholder check for the Laun Motos the will asserted 11 accepted of LAHC Loan Motos in respect of each £1 of cash to which he is subservise emisting gates the Office.

The full tensor of the Offer and the Louis Note Alternative are set out in the Offer Doo Thu netvertimented in not being published or otherwise distributed or sent as or last the United States, Canada, Annualla or Japan.

The advertisement is not being published or otherwise distributed or sent as or into the United States, Canada, Americalia or Jupan.

The Offer soul the Loan Near Abecameroe are not being sende directly or indirectly in the United States, Canada, Americalia or Jupan or by one of the main of by any uncase or instrumentality of concessor or foreign consumeroe of, or any hardester of a maintain contribute scarbing of, the United States of America, is necessary and postsessors and proposed the United States of Calenthis United States. A Copies of the Offer Decision, the Form of Acceptance and any related disconnents are not being until our or be emiliarly or otherwise distributed or son are not the United States. Canada, American, in a calculating Canada, including Gall Life States option of the United States. Canada, Assertalia or Jupan or to or by postniness, trustees or controllant holding Gall Life States option achieves with repostseed addresses in the United States. Canada, Assertalia or Jupan or to or by postniness, trustees or controllant holding Gall Life States option achieves with the United States. Canada, Assertalia or Jupan or Restricted Oversons Precious. The Processor Precious is a controllant and a controllant holding Gall Life States option achieves the United States. Canada, Assertalia or Jupan or may not mean and the United States, Canada, Assertalia or Jupan or may the Canada, Assertalian or Jupan or may the description, Assertation or Jupan or may not mean and in a calculation or from the United States, Canada, Assertation or Jupan or may not mean and assertation or fact United States, and no propagation in relation to the United States. Canada, Assertation or will be obtained on the requirements has been or will be obtained from the applicable securities and requirements has been or will be columned from the applicable securities from the applicable securities from any approach or calculation or or the United States, and no propagation in relation to the LARC Loan Notes has been or will be in

Figure 1990 to the state of the second state o

use Manhettum pic, which is regulated by The Securities and Painters Austhority Limited, a acting for Life Assumance Holding Corporations Levised and use their accountments with the Offer. Classe Manhattum pic will not be recapamable to anyone other than Life Assumance Holding Corporation Limited and providing the protections afforded to customers of Classe Manhattum pic, wer for providing advice as relation to the Offic.

for providing the protections attracted to customers of came manuscaus pre, we set personnel access to the set the control of the formation of the formation and protection of the formation and protection of the formation for the set of the formation and formation and the first protection of the formation formation organization contained in the advertisement and in the best of their importables and belief through the formation of the set of the set of the first and the set of their importables and the first and does not contained all reasonables are to conserving on a trive care, it is unformation contained in the advertisement is in accordance with the first and does not contained glindly to affect the import of such advertisement in the access the contained and the set of the set

FIDELITY SPECIAL GROWTH FUND Société d'Investissement à Capital Variable Kansallis House - Place de l'Émile B.P. 2174, L-1021 Luxembourg R.C. Lenembourg B 20095

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Stareholders of Fidelity Special Geowth Fund, a Smills of Investingment & Capital Variable organised under the laws of the Grand Duchy of Luxembourg (the "Company"), will be held at the registered office of the Company, Kansattis House, Place do (Broile, Luxembourg, at 11.03 a.m. on March 26, 1998, specifically, but without furnitation, for the following purposes:

- Precentation of the Report of the Board of Directors Presentation of the Report of the Anditor
- Approval of the balance shoet and income statement for the flowel year cashed November 30, 1997

 Approval of the balance shoet and income statement for the flowel year cashed November 30, 1997

 Discharge of the Board of Directors and the Aminor

 Election of five Directors, specifically the re-election of Mesons. Edward C. Johnson 3d, Barry R. J. Baterina. Charles A. Election of five Directors, specifically the re-election of Mesons. Edward C. Johnson 3d, Barry R. J. Baterina. Charles A. Election of five Directors, and Helmert Prints van den Howen and the acknowledgement that the seasof Mr. Coules France, John Hamilton and Helmert Prints van den Howen and the acknowledgement that the seasof Mr. Coules
- remains vacate.

 Election of the Auditor, specifically the election of Coopers & Lybrand, Lumanbourg
 Declaration of a cesh dividend in respect of the fiscal year ended November 30, 1997
 Consideration of such other business as may properly come before the Meeting.

Approval of items 1 (through 8 of the agends will require the affirmative with of a majority of the shares present at the Miceling with no minimum number of chance present or represented in order for a quoyane to be present. Subject to the limitations imposed by the Articles of Incorporation of the Company with regard to ownership of absent which constitute in the aggregate more than three percent (3%) of the outstanding absent, each chare is carried to one wate. A Shareholder may act at any Mording by patter.

Dated: February 3, 1998 By order of the Board of Director

Fidelity havestments

FRF 89.2 billion

CONSOLIDATED : **OPERATING INCOME**

FRF 2,853 million

FRF 2,630 million +27.4%

NET INCOME PER SHARE.

NET DIVIDEND PER SHARE FRF 39.0

ADDITIONAL INFORMATION: · Pinault Printemps-Resource

Not income for the year

CONSOLIDATED NET SALES

+10.9%

FRF 4,297 million +21.4%

CONSOLIDATED NET INCOME,

FRF 117.30 +27.2%

+21.9%

 Internet : http://www.ppreraup.com. Cotherine Tych - 33 (1) 44 90 63 25:

PINAULT **PRINTEMPS-REDOUTE**

THE GROUP MAINTAINS ITS SUSTAINED TEMPO IN SALES AND NET INCOME GROWTH AND TAKES ON A NEW INTERNATIONAL DIMENSION

Net indebtedness

The Supervisory Board of Pinauli-Printemps-Redoute, chaired by Ambroise Roux, met March 11, 1998 and approved the group's 1997 audited parent company and consolidated financial statements, as presented by the Management Board.

CONSOLIDATED INCOME STATEMENT (in FRF millions)

Net Sales Operating income Net financial expense Income from ordinary activities before toxes (239) Non-recurring items Net income of companies

1996 Change 80,394 +10.9% 3,540 +21.4% (221) -26.7% 3,319 +24.6% 2,070 +35.6% Share in earnings of equity affiliates 570 +17.7%

The group reports new operating achievements

The group's accelerated expansion in 1997 resulted from its sustained-growth policy and reflects translet-share gains, store openings (Frac, Conform, Redoute), the publication of new catalogs (among which AM-PM, Printemps, Cyritus UK and Vertbaudet UK), the introduction of new concepts (such as Frac, Junior and Frac, Telecom), and entry into new specially-distribution business lines, with Bernard S.A. for example. The group's last growth is also due to acquisitions that are significant both in terms of size (Elba, Becob), and the apportunities they present for future development, such as Coan in Julin America. Furthermore, the group's accelerated expansion reflects its growing internationalization. The share in sales generated outside France increased from 30.6% in 1996 to 35.4% for 1997. Finally, in 1997 the group confirmed its vocation in specially distribution with the disposal of Prisunic, its null food-veloted distribution company.

Consolidated act sales rose 10.9% in 1997 to FRF 89,179 million, compared Consolidated set sales rate (U.75 in 1997 to that any, 179 meters, compared with FRF 80,394 million for 1996. An accelerated 4th quarter increase in company sales enabled the group to sustain a growth rate exceeding its targets. Sales in the group's Retail Division rate 6.6% (to FRF 48,905 million), while Wholesale Division sales were up 19.5% (to FRF 48,905 million), and International Trade Division sales increased by 4.1% (to FRF 6,506 million). At constant exchange rates and on a constant structural basis, group sales rate 3.9%, with sales by division increasing by 6% [Retail], 1.2% (Whalescale). and 3.1% (International Trade).

Consultated operating income was up 21.4% in 1997 to FRF 4,297 million, versus FRF 3,540 million for 1996. Each division continued to raise grass margin and improve productivity. At the same time the operating expense trend was kept under control. The group's operating ratio thus increased by a 0.4 percentage point to 4.8% from 4.4% in 1996. This favorable trend was achieved despite the introduction of new concepts and their build-up which reduced operating iscome by some FRF 40 million.

Net lineacial expense was down sharply to FRF 162 million, as appased to FRF 221 million the year before. The drop in interest rates and the increase in suppliers' prompt payment discounts made it possible to absorb new lineacian expenses related to the increase in average indebtedness.

Non-recurring items principally include PRF 693 million in pre-tax capital gain from the Prisumic disposal and PRF 257 million in exceptional provisions. Share in earnings of equity affiliates came to FIG 671 million in 1997 versus FIG 570 million the previous year. The financial Services Division's contribution to these figures represented a 16.3% increase over 1996 for a 1997 total of FIG 629 million. In 1997, this Division's authorizings and production increased by 22.7% and 18.6% respectively over the previous year. The Division's figures for 1997 include Ellos financial activities since July.

Goodwill concretation come to FRF 261 million, versus FRF 225 million in 1996, mainly the result of company occursitions and minority shareholder buyouts comed out by the group in 1997.

CONSOLIDATED BALANCE SHEET Working capital Shareholders' equity (1)

1996 Change 27,696 +11.3% 3,264 +71.9% 17,751 +12.4% 2,344 +11.6% 10,865 +27.6% 15,167 +16.0%

(1) Group Share Net income for the year came to FRF 2,853 million, compared with FRF 2,065 million in 1996. Excluding non-recurring items, net income advanced by 27.4% and net income per share stood at FRF 117.30, versus FRF 92.20 for the previous year.

Financial structure and cash flow allow room for new developments

Group acquisitions during the year led to an increase in not indebted and which amounted to FRF 13,866 million, versus FRF 10,865 million at yearand 1996.

The debt to equity ratio increase remained contained, however, and at year and stood at 0.69 as apposed to 0.61 at year and 1996. Cash flow, which amounted to FRF 3,945 million versus FRF 3,326 million in 1996, assily covered financing requirements for 1997 expenditure on operating assets which totaled FRF 1.9 billion. In addition, the group devoted FRF 4.9 billion to acquisitions and equity investments during the year.

Subsequent events and outlook

In early 1998, the group continued its stepped up policy of developing its

 Resal took control of Ideal Australia (FRF 480 million soles) and Ideal New Zealand (FRF 340 million soles), after having acquired the activities of G.E.C. in those some two countries (soles of FRF 1.6 billion). La Redoute signed an agreement to occurre 47.5% of Brytane, the 4th largest cotalog retailer in the United States (soles FRF 8.) billion).

Frac and La Redoute took a 70% shareholding in the French educational loy cotolog company Eveil et Jeux (soles FRF 120 million). The group also committed itself to a new business line with the acquisition of the founders! 47.2% shareholding in Guilbert, a leading European distributor of office supplies and equipment. The group is also pursuing an active policy of internally generated growth. These transactions, all in temperary with the determination to internationalize the group, will enable it by the end of 1998 to generate 45% of its sales outside France and operate to 40 countries workful.

in 40 countries worldwide. Since the start of the year, the favorable trand observed in late 1997 seems to be holding. By the end of February, excluding 1998 acquisitions, net soles had advanced by 9.5%. Nevertheless, over the short and medium term, management remains very conservative in its consumer spending assumptions. For the remainder of the year, the group will continue to pursue its expansion objectives both in France and obroad, while paying still greater attention

PARENT COMPANY FINANCIAL STATEMENTS

to productivity and operating costs,

The Supervisory Board also reviewed the financial statements of the parent company, Pinauh-Printernos-Redoute. Income from ordinary activities amounted to FRF 630 million at December 31, 1997 compared with FRF 677 million at year-end 1996. Net income totaled FRF 1,738 million for 1997 versus FRF 1,174 million at December 31, 1996. A dividend for 1997 versus FRF 1,174 million at December 31, 1996. A dividend for 1997 versus FRF 1,174 million at December 31, 1996. for 1997 Yersus FIC 1,174 million or December 31, 1996. A dividend payment of FIC 39 per share will be proposed to the General Meeting, plus a lox credit of FICF 19.50. The proposed dividend would represent interesse over the previous year of 21.9% and would be paid July 1, 1998.

MARKETS WEEK

At Home in Emerging and Capital Markets ING BARINGS

March 16 - March 22

NEW YORK

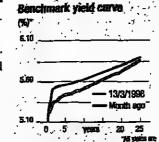
By William Lowis In New York

Economic data to be released this week are expected to show the Asian crists is beginning to affect the US trade position and that industrial production fell last month following 22 consecutive monthly advances. However, other data are expected to provide further confirmation of a lasting low inflation

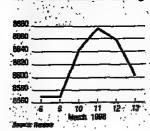
environment in the US. On Thursday, analysts and traders are expecting to see the trade deficit having widened to \$11.5bn in January from \$10.8bn in December and a \$9.5bu monthly average for 1997. Both exports and imports are expected to have fallen

Chase Securities says the trade deficit will "provide the first concrete evidence that Asia's turmoil is beginning to wash ashore"

February's consumer price report, also being releas on Thursday, is expected to show "further confirmation of an extraordinary inflation scenario", says Donaldson.



Dow Jones Industrial Average



Lufkin & Jenrette, the US investment bank. February's industrial roduction report on Tuesday is expected to confirm a decline in growth in the manufacturing sector. Industrial production is thought to have fallen by 0.1

per cent in February, the first fall since March 1996.

LONDON

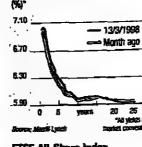
By Phillip Coggan

There is little doubt about the main event of the week for UK financial markets tomorrow's Budget. However, most economists expect the chancellor to concentrate on microeconomic measures, such as the welfare-to-work programme, rather than make macro-economic changes which will affect

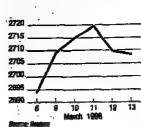
the overall equity market. However, the likes of drinks and tobacco stocks will be braced for tax changes which may hit demand for their products. And gilt investors will be watching to see if the chancellor keeps his tight rein on public spending and whether he forecasts a public sector surplus in the suited reso

Elsewhere, the market will be watching the economic data very closely in the light of the 4-4 tie at the February meeting of the monetary policy committee. Tuesday sees the retail prices figures and public sector borrowing

Benchmark vield curve



FISE All-Share Index



requirement. Wednesday the unemployment, average earnings and retail sales

The last two will be of particular interest. Rising wage pressures might be one way that inflation shows up in the system, while retail sales data have been highly erratic in recent months.

FRANKFURT

By Andrew Fisher in Frankfurt

German investors and traders have their sights set on 5,000 points for the DAX blue chip index after its 15 per cent rise so far this year. It pushed above 4,900 on Friday before slipping back and with institutions spending more on equities, it could breach 5,000 this week

High liquidity and low interest rates - 10-year government bonds yield less than 5 per cent - are expected to keep equities strong. Thursday's Bundesbank council meeting is not expected to lead to any interest rate changes. Nor are the M3 money supply figures due this week

likely to upset sentiment.

The Ho economic research institute's monthly business sentiment index could also signal a continued rise in confidence. Eckhard Schulte, economist at IBJ Research, said the index could show a moderate rise. But an upbeat tone should not be taken to mean the Asian crisis will have a negligible impact.

COMPANIES DIARY

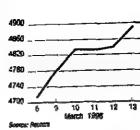
to lift Ciba

Speciality Chemicals

Lower charge

Benchmark vield curve

3.25



Several big names will outline their performance and prospects this week. Bayer holds its annual press conference on Tuesday and Thyssen - in the throes of merging with Krupp - has its annual meeting on Friday. Results are also due from BASF, Continental, Henkel and Schering.

TOKYO By Michiyo Nakamoto in Tokyo

Tokyo will be preoccupied this week with news about more specific government plans to stimulate the economy and prop up the stock market.

In particular, investors will be anxious to receive as many positive signals as possible on prospects for further government action to lift the gloom that has infested Japan.

There is likely to be a string of earnings downgrades as corporations, hit by the plunge in domestic consumption this year and the emerging impact of the Asian crisis, are forced to revise their profits forecasts before closing their books.

Concern about the dismal outlook for this earnings season has prompted talk of "March crisis," involving a collapse of one or more large companies, spreading panic, plunging stock prices and further losses for companies as their asset values shrink with the market downturn.

Benchmark yield curve 19/3/1998 20 25 NEKKE 225 Average

(1000)

Whether the government

actually commits itself to further measures or not, it is likely to support the market's hope with public comments suggesting help is on the way. The question then is how far can the Nikkei rise as the market's mood fluctuates between optimism and scepticism.

LONDON RECENT ISSUES: EQUITIES

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RIGHTS OFFERS

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m Regional Indices Africa (14)	1008.80	-8.7	6,99	22.88	5.46	18.79	2130.08	921.78

1306.82 +13.0 3.77 12.18 2.87 17.27 2066.91 953.63 1074.83 +3.2 20.21 56.24 1.14 40.16 1863.38 854.86

Notice to holders

Witan investment Company pic

(the "Company") (registered in England No. 101625)

64% Exchangeable Bonds due 2008

(the "Bonds")

NOTICE IS HERIERY (SIVEN pursuant to Cleuse 9.10 of the Trust Deed dated August 20, 1993 (the "Trust Deed") between the Company and The Law Debenture Trust Corporation p.l.o. constituting the Bonds that:

Debenture Trust Corporation p.l.c. constituting the Bonds that:

(a) Henderson Greenfrist Investment Trust pic ("Greenfrist") has announced a proposed reconstruction of Greenfrist (the "Proposele"). The Proposele arovide for Greenfrist to be put into voluntary liquidation and for the transfer of Greenfrist is assets (other than assets required to meet the appease of Greenfrist in connection with the Proposals and other assets to be restained by the Routistoral into three unit trusts. Henderson American Smeller Companies Fund, Henderson European Value Fund and Henderson Globel Bond Fund, in accordance with the elections of Greenfrist shareholders who will be able to exchange their existing shareholdings in Greenfrist or units in one or more of the three unit trusts, in addition there is a facility for Greenfrist shareholders to elect to redeem units in Henderson Globel Bond Fund immediately for cash.

(b) The Proposals are subject to approval by Greenfrist shareholders at authorizing general meetings expected to be held on Merch 31, 1998 and April 17, 1998.

emo.npm.n.nstsc.

(c) The Company cen act as it thinks fit in relation to its holding of shares in Greanfiler and any securities or other assets received by the Company in the reconstruction of Greenfiler shall be included as part of the Exchange Property (as delimed in Condition 8(s) of the terms and conditions of the Bonds).

continues of the Bonds).

(d) Subject as provided in Conditions 7(f) and 10 of the terms and conditions of the Bonds and in the definition of "Exchange Period" in Clause 1.1 of the Trust Deed, any holder of Bonds is entitled to exercise his Redemption Rights (as defined in Condition 7(f) of the terms and conditions of the Bonds) if he wishes whereupon Exchange Property (as defined above) may become deliverable as provided in the terms and conditions of the Bonds.

PRINCIPAL PAYING AND EXCHANGE AGENT

The Chase Manhetten Bank Iss London Well, London EC2Y 5 A.)

STOCK INDICES



Panama Power Privatization

Government of Panama

Instituto de Recursos

Hidraulicos y Electrificación

(IRHE)

Privatization of Electricity

Generation and Distribution

The Government of Panama is in the process of

privatizing the electricity generation and

distribution companies created from the

restructuring of the Instituto de Recursos

Hidraulicos y Electrificación (IRHE). It plans to

sell about 50% of the restructured companies to

Interested strategic investors should contact the

government's financial advisor,

the International Finance Corporation,

c/o Mr. Luc Dejonckheere,

Tel: 001-202-473-7998

Fax: 001-202-974-4328,

E-mail: Idejonckeere@ifc.org.

strategic investors.

Mar 18 Mar 12 Mar 11 Mar 18 Mar 8 High Law

TODAY

 Clba Specialty Chemicals is expected to announce 1997 profits, before restructuring costs, of SFr558m-SFr610m (\$384.8m-\$420.6m) against SFr311m a year earlier, analysts said.

In 1996, Ciba SC reported a net loss of SFr516m after a restructuring charge of SFr1.1bn. as part of its spin-off from Ciba-Geigy and which was partially offset by a SFr250m tax fall-out.

Roger Birrer, speciality chemicals analyst at Bank Baar, forecasts 1997 profits. before restructuring costs, of SFr610m. He said he expects 1997 restructuring costs to total SFr240m, which will result in a net profit of SFr370m.

Daniele Scilingo, analyst with Bank Vontobel, expects SFr558m profits, before restructuring costs, and SFr383m after them, and said Ciba's positive result came on the back of the global chemical business cycle's positive trend.

reported 1997 sales of SFr7.828bn, up from a restated SFr6.578bn a year

Zurich, AFX News

TUESDAY

us dollars

RSI, Communications (German City States(R)

Pench Tarens, At(J1);
Puch Tarens, A2(J2);
Puch Tarens, A2(J3);
Puch Tarens, A4(A);
Puch Tarens, S4(A);
Careda

Equat Des'mant Corpage* 100m Mar 2001 5.008 100.00 Fed Netl Margage Assoc 1000m Mar 2008 1.75# 99.2547 Marcel Destroyle 10 1.5 # 170m Mar 2004 49 100.00 florest Funding Corp\$5* 45m Mar 2000 1.51# 100.00

Sustanerica last Fundingt 100tm Apr 2018 (n) Mendik Lynch & Colvi); 1500m Apr 2006 (nr)

STEATHE

DALIM LIFE

 Michelin, the French tyre maker, is expected to report net profits of between FFr3.52bn and FFr4.21bn (\$590m and \$700m) for 1997, up from FFr2.9bn a year earlier, according to analysts'

A recovery in tyre demand

NEW INTERNATIONAL BOND ISSUES

profit is expected to rise, but less than sales. Which means the operating margin is likely to decline from 9.8 to 9.6 per cent a year earlier,

(\$3.23bn) for the year to

December 31.

120 Apr 2008 (31.) 100,00R - BT Alex Brown led 60 Apr 2011 (22.) 100,00R - BT Alex Brown led 175 Apr 2022 7.274 100,00R 7.475 +13584.79-175 BT Alex Brown led 175 Apr 2025 7.257 100,00R 7.475 +13584.79-175 BT Alex Brown led 100 Apr 2025 7.557 100,00R 7.784 +170978-271 BT Alex Brown led 200 Nov 2004 6.2509 99.54R 6.345 +2065.48ev04; SSC Warfully DR

1.832 +3(JCB 202)

Analysts will also be looking for an undate on January's trading statement which gave details of the impact of currency movements and the turmoil in

ing pre-tax profits before • LMVH Most Hennessy as a monopoly was in line

\$ 300 Ball.

Water Englished

CASE M

However, growth in earnings from ordinary operations is likely to be more limited, as the Asian financial turbulence starts to take its toll on the results. AFX News, Paris

WEDNESDAY

• France Telecom is expected to report 1997 net profits FFr14bn-FFr18.35bn (\$2.34bn-\$2.74bn), with most forecasts clustered around

the FFr15bn mark. They took their cue from Michel Bon, company chairman, who said that profit in the company's final year

U.S. \$400,000,000

IRHE's website is http://www.irhe.com.



Santander Financial Issuances Limited Subordinated Undated Variable Rate Notes

with payment of interest subject to the profits of and secured by a subordinated deposit with Banco Santander, S.A. (Incorporated in Spain with Imited liability)
Notice Is hereby given, that for the Interest Period from March 16, 1998 to June 16, 1998 the Notes will carry an Interest Rate of 6.65% per annum. The amount of Interest payable on June 16, 1998 will be U.S. \$4,248.61 per U.S. \$250,000 principal amount of Notes.

By: The Chase Manhattan Bank London, Agent Bank

March 16, 1998

CHASE

BUSINESSES FOR SALE

Tuesday, Friday and Saturday, For +44 0171 873 4874

US \$53,750,900 **(**

By: The Chase Manhatten Bank for and on behalf of Wittin investment Company

March 16, 1996

Buropean Investment Bank Floating Rate Notes due 2008 For the period from March 16, 1998 to September 15, 1998 the Notes will entry an interest rate of 5,797034 per amount with an interest amount of US \$28.60 per US \$365.11. The relevant interest payment date will be Suptember 15, 1994

BANQUE PARIBAS

(European Investment Rank Floating Rate Notes day 2001 For the period from March 16, 1996 to June 15, 1998 the Notes will carry an interest rate of SASSES, per sensor with an interest amount of LIT GIST per LIT 6,000,000 and LIT 678,976 per LIT 50,000,000. The relevant interest payment date will be June 15, 1998.

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CHASE

BANQUE PARIBAS

CONTRACTS & TENDERS

BRAZILIAN NAVAL COMMISSION IN EUROPE - BNCE

NOTICE OF PUBLIC TENDER NR. 002/98

Notice is hereby given that the BNCE with offices at: 170 Upper Richmond Road, London SW15 2SH, is accepting tenders to choose a supplier of one HYDRAULIC PLATE BENDING ROLLS.

The details of this Public Tender are available on request, at the above address or contact:

CONTRACTS DEPT.: FAX: 0181 788 4190 TEL: 0181 788 8111 EXT. 130

Diageo: planning to take its exceptionals in three helpings ica and further productivity shareholder, in order to according to analysis' foregains will be the main fac- win its support for the casts. tors in the earnings increase, merger, plus 285m in fees.

they added.

Ciba SC in January according to forecasts from EIFB and Merrill Lynch. AFA News, Paris

> Diageo is expected to south-east Asia. publish savaral sets of figform a view about prospects for the UK-based food and drink glant formed in December by the merger of Guinness and Grand Metropolitan. Analysts are expect-

The exceptionals will include a payment of £250m

and a portion of the 2375m For the full year, operating restructuring costs which are being spread over the three years following the merger.

However, there is unlikely ures that will help investors to be news on the sale of Dewar's scotch whisky or of. Bombay gin - which the US regulator required to be sold by June this year when the merger was approved.

exceptionals of about £1.94bn Louis Vuitton, the French with 1996, when earnings, luxury goods maker, will on Tuesday report 1997 net profit of FFr4.4bn-FFr4.5bn (\$730m-\$750m) up from FFr14.47bn. in Europe and North Amer- to LVMH, the group's largest FFr3.68bn the year before,

COCMT 1, 98-4, (2255 A(1)

NEW ZEALAND DOLLARS

CANESH KROMER

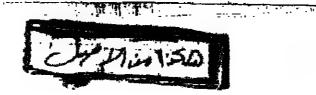
excluding charges linked to the change in the company's legal status, were AFX News, Paris Amount Courson Yeld Learnth Book-rasms on Melandy & Price % apread by 750 Oct 2006 3.25is) 102.90 -300 Apr 2006 3.00 102.35 2.670
150 Apr 2003 2.00 100.50 1.00
200 Apr 2004 2.00 99.75 2.045
150 Mar 2002 2.00 101.70 1.547 500 Mar 2000 14,75 99.50 15.06 - 300 Apr 2005 9.00 99.95R 9.010 42(Apr 05) 235 Apr 2005 (71)# 52,455 9.55 4475()

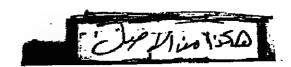
| List DOLLAPS | Microll Cod; | Substitution | Subs 400 Apr 2006 (M) 102.40 5.43 SOUTH AFFICAN RANGO POLISH ZLOTYS European invinsud Besiglij Russiwi Roubles 200 Mar 2005 17.00 100.00R 2.500 libr 2005 4.50 97.628 4.910 +14(7*)-km05 Deutscherkleriji Lyach 500 Apr 2008 5.258 99.3116 5.339 +405*)-km05 Bayarityoofi Sanley 250 Del 2008 5.01 98.358 5.216 +405*)-km05 BayarityoCFR 200 libr 2008 5.01 98.358 5.216 +305*)-km05 Bayarik-Drasber KS 296 libr 2008 9.08 61.409 5.216 +305*)-km07an Starley DW 300 Apr 1999 25.00 10n.nnR TURIOSH LIFE Suptreet B Capital Mits06 3th Mar 1999 100.00 100.00R

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3th May 1990 100.000 100.0007

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and the same

The Greek drachma makes barely move against one another any more, but the endless rate increases, and market may test the appromight therefore stop the priateness of the drachma's pound's ascent. That no officentral rate.

Traders will also be watch- is bolstering sterling. ing sterling closely to see if the former.

England's monetary policy committee revealed how torn it was over base rates. The committee has left them untouched at 7.25 per cent since November, but in its a rate rise.

The minutes of the com- of 2.5 per cent.

had to use his casting vote to secure unchanged rates. The market now believes its debut in the European that UK rates may go higher. exchange-rate mechanism Even if the Bank believed today and it could prove a that rates would rise only volatile one. The 11 other once more, currency stratecurrencies in the ERM gists argue, it would say so. That would ease prospects of

The pound ended last it rises or crashes. UK data week at its best level since expected this week suggest. August 1997 above DM3.03 against the D-Mark. The five-Sterling took off last and-a-half-year peak, just Wednesday after the Bank of above DM3.08 reached in July 1997, is approaching. Tomorrow's Budget is

cial has said any such thing

likely to offer only modest fiscal tightening. UK retail prices, also due tomorrow. are forecast to rise by January meeting three out sharp 3.3 per cent, although of eight members supported the underlying rate is expected to hit the Bank's target

Har 13		Closing	Change	Bid/effer	. Day's		Coe s			monthe	Cine y		Beak d
		Told-point	da qay	मरक	1 digit	kper	Rate	9.04	Apple	%PA	Rate	174	Eag. Ind
arape .													
	504	21.3513	+0.0427	414 - 612	21,4634	21,2601	21.2796	4.0	21.1436	3.9	20.5185	34	10
elgium	(BF1)	82.\$104		32.65	62,0980	62,3840	62,4063	3.0	62,0108	3.8	B0.4215	35	10
Jennaly	(DKr)	11,5676	+0.0217	004 × 707	11,6282	11.5216	11.5316	3.7	11,400	3.5	11.1938	339	10
column .	(740)	12112	+0.0159	042 - 181	B_2580	9.1780	2.1795	41	21100	4.0	8.8781	3.5	
TRICE	(FFI)	10.1859	+0.0108	DA - 714	10.2308	10.1241	10.1318	4.0	10,0665	39	9,8084	3.5	10
CHARLEY	(044)	3.0947	+0.0058	TH - 32	3,0514	3.0219	3 0244	4,1	3,005	3.9	2,9278	3.5	16
1000	(Pr)	491,745	+13.59	514 - 976	407.331	476,840	497,523	-143	505.531	-11.2	530,672	-7.9	
relead	(P Z)	1,2104	-0.DO89	OUI - 110	1,2212	1.2090	1,200	1.3	1.2057	1.6	1.1801	25	•
Mary .	4	2507.90	+5.91	20 · 60	3002.91	2374.91	2983.58	1,7	2974.5	1.0	2909.94	28	7
avembourg	8.An	62,6104	+0.1046	52 - 52	62 99 6 0	62,3840	62,4063	33	52.01U	38	80.4215	3.5	18
ctheriands	F	3.4201	+0.0059	187 - 215	3,4393	3,4064	3,4083	42	3.38SB	40	3.2984	36	10
ionacy	(100)	12,8185	+0.0053	108 - 201	12,6876	12,5723	12 5825	35	12.5121	34	12.259	2.9	-
antugal .	(Ex)	310.412	+0.7	226 - 266	312,059	309,358	309,692	2.8	308.137	29	300.537	32	- 1
pein	(ř ta)	258,000	+1.224	615 - 188	258,730	256.280	357.417	2.7	256,005	3.0	249.911	3.1	7
waden	SKI	13,2062	-0.0447	950 - 174	11531	13.1950	13,1731	3.0	13.1105	29	12,8708	25	
or lives bend	651	2,4861	+0.0038	845 ~ 076	2.4813	2.4579	2,4526	6.5	2.4267	6.4	2,324	5.8	10
K	Ē												16
œu .		1.5287	+0.001	279 - 295	1.003	1.5253	1,8246	- 33	1.5164	3.2	1,4814	3.1	•
DRT .	_	1,232960	-		-			-					
mirleon											-		
rgentine	(Peec)	1,6697	+0.0123	ett = 700	1.6738	1.6545		-	-			-	
Care	(RS)	1,8929	+0.0100	921 - 937	1,8972	1.8738			-	-	-		
arada.	(CS)	2.3553	+0.0174	M2 - 2M	2.5	2.3322	2.3499	2.8	2,3399	2.5	2.3023	2.3	
ledes	(New Pest)	14,2962	+0.099	MO - 1654	14,3326	14.1821	14,4773	-15.2	14.8263	-14.8	18.2177	-13.4	
SA	(9)	1.6705	+8.0134	700 - 710	1.5745	1.0549	1.668	7.8	1.6631	1.8	1.8435	1.6	18
النفالية عكاعد	Enst/Africa	1											-
وأوباه	(AS)	24765	-0.0012	744 - 785	2,4807	24570	24712	2.5	2,4608	2.5	2A169	2.4	87
ang Kase	(HS)	12.9372	+0.1021	B - 419	12,9673	12.8191	12 9235	1.3	12.9312	0.2	13,1879	-1.9	
rdia "	(RIS)	85,9839	+0.596	182 - 496	66.0590	65,3730		-		w	-	in in	
	(SH4)	5.9824		75 = 82	5_9952	5.9756	-				w		
apen .	(4)	214.125		VIY - 272	214,430	212,450	212.88	7.0	210.485	8.8	200.195	6.5	120
	(225)	5.2393		31 - 45	6.5158	5.1458	6.249	-1.9	6.2863	-30	6.4588	-13	
aw Zeeland	(1/25)	2,8827		nn + 632	2,8659	2.8398	2.8855	-12	2.8703	-1,1	2.8868	-0.8	107
Mippings	(France)	66.1519		850 - 387	66.3400	65.6955	66.7014	-10.0	67,9464	-10.9	73.8154	-11,5	
oud Arabig	SP	6.2658		07 - 07	6,2805	6.2070	6.2594	12	6.2461	13	6.1984	1.1	
ngapore	(55)	2.6670		27 - 703	2,7018	2,6618	2.6642	1.3	2.6601	1.0	2.5517	0.4	
Affica	A	8.3007		57 - IW	8,3237	ILM10	0,3444	-63	8,4273	-6.1	8.780g	-54	
ooth Kangg Maga	(Minn)	2543.34	-23.01	30 - 33	2572.13	2498.76		-				20	
halland .	(ET)	54.1488 67.4048		214 - 721 140 - 795	54 <u>.2</u> 538 70,7110	53.5800 67.1320	54.1665 67.9262	-02 -83	54.1386 68.9758	0.1 -9.3	54.2972 73.6679	-0.3 -8.3	

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Advotor spread	. Day's bigir	Mild Apre	Coe se Pate	9.9A	Three Rein	months %PA	Cine yo		Benik of Eag. Index	Mar 13		Charing mid-point	Change	Sidioffer Spread	Day's high	mid iow	Dan mi Rata	12 M	Three nic Rate	SPA	Com year Rate		index
	:					•-				Europe							12.7579	22	12.7136	21	12.5459	1.8	102.0
4 - 612 2 - 625	21.4614 62.9986	21,2601 62,3840	21.279\$ 62.4063	4.0 3.0	21.1436 62.0108	3.9 3.8	20.6185 60.4215	34 35		Assista Belgiom	(Sal) 68f)	12.7814 37.4800	-0.0776 -0.24		12.9110 37.8560	12.7770 37.3800	37.4145		37.287	2.1	36.765	1.9	101.6
1 707	11,6282	11.5216	11.5316	37	11.400	3.6	17,3500	33		Denerark	(DK)	6.9246	-0.0429		8.9065	6.9068	8.9125		6.8929	1.8	6.8129	1.6	103.2
2 - 181	8.2580	9.1780	9.1795	41	A11M	4.0	8,8781	3.5		Print	Pag.	5.5140		115 - 165	5.5690	5.4979	5.5034	2.3	5.4829	- 23	5,400	20	79.6
X-714	10.2308	10.1241	10.1318	4.0	10,0665	3.9	9,8084	3.5		France	爵	8.0655	-0.0428		6.1533	6.0812	6.0742	22	6.053	2.1	5.9569	1.9	104.3
- 33	3,0514	3.0219	3 0244	4,1	3.005	3.9	2,9278	35	102.5	General	ÇM)	1,6197	-0.0111	164 - 169	1,6355	1.8112	1.8134	22	1.807	12.5	1.7515 322.9	1.9 -9.7	102.2
4 - 976	407.331	476,840	497.523	-143	505.531	-11.2	530,672	-7.9		Brecoe.	(Dr)	294.370	+5.82		298,160	287.860	298.34 1.3796	-16.2 0.6	303.975 1.2784	-13.1 0.2	1.3927	-0.9	
I - 116 I - 894	3002.91	1.2090 2974.91	1,250 2003.58	1.3	1.2057 2974.6	1.6 1.8	1.1801 2909.94	25 28		instand	(2)	1,3802		792 - 812 100 - 925	1.3814 1806.00	1.5565 1783.80	1788.76		1788.63	0.0	1770.69	1.0	76.0
- 125	57 9980	62,3840	62.4063	33	22/710	3.8	80.4215	3.5		taly Lorenteum	EF6	1788.63 37.4300	-10.9 -0.24		37.8560	37.3800	37,4145		37.287	2/1	36.765	1.9	101.6
7 - 215	3,4393	3,4064	3,4083	42	3.3858	40	3.2984	3.6		Heiterienis	(FILT)	20474		471 - 476	2.0690	2.0416	2.0434	23	2.0359	22	2.0071	20	100.2
- WI	12,6876	12.5728	12.5825	35	12.5121	3.4	12.259	2.8		identity	(180)	7.5543	-0.0579		7.6350	7,5368	7,5436		7.5235	1.5	7. 45 93	1.3 1.8	95.4
5 - 566	312.059	-309.358	309.692	2.8	308.137	29	300.537	32		Portugal	(Fe)	185.820		770 - 870	147,780	185,440	185.67	1.0	185.262 153.99	1.2 1.2	182.87 152.065	1.5	91.8 76.0
- 188	258.730	256.280	37,417	2.7	256.005	3.0	249.911	3.1		Spein	₽±	154,445	-0.51	100 - 210	155.530	153.960	154.33 7.8977	0.9 1.2	7.8834	: 1.1	7.6316	iõ	84.6
3 - 174	11531	13.1950	13.1731	30	13.1105	29	12,8708	2.5		Species	(56)	7.9058	-0.0808	012 - 099	8.0114	7.8938 1.4730	1.4705		1.4592	4.6	1.4142	42	107.1
~ 076	2.4813	2.4579	2.4526	6.5	24267	6.4	2.324	5.8		Saltzeriand IIIX	(SFI)	1,6705	+0.0096 +0.0034	758 - 767 700 - 710	1.4926	1,0542	1.666	1.8	1,6631	1.8	1,6435	1,6	105.9
9 - 295	1.003	1.5253	1,5246	- 33	1.5164	32	1,4814	3.1	106.8	Eta	6 0	1,0028	+0.008	925 - 930	1,0946	1.0810	1.0941	-1,4	1.0967	-1.4	1.1095	-1.5	-
	-	-		-	-			-:		SDRT	_	0.745885	- 1.000			•		-	-	-	-	-	-
							•			Americas											_	_	_
· 702	1,6736	1.6545	•	-		-	•	-	•	Arpentine	(Peso)	0.9995		22 95	0.9995	0.9965	-	-	-		_ :	-	
1 - 937	1.8972 2.6011	1.8738	2.3499		5 5555	2.5	0 2000	-	-	Bragil	(25)	1/1/02		330 - 333	1,1335	1.1330	1,4089	0.9	1,407	0.8	1.4009	0.6	83.9
2 - 204 1 - 1054	14,3326	14.1821		2.8 -15.2	2,3399 14,8263	-14.8	2.3023 18.2177	2.3 -13.4	63.7	(henda Marico	(CS) Olear People	1,4100 8,5580		097 - 102 550 - 610	8.5660	1.5520	8,6795		8,915	-16.7	9.868	-153	-
- 710	1.5745	1.0540	1.868	7.8	1.6831	1.8	1.8435	-13.4 1.6	108.5	LISA	(Jacon Fesse)	6,2300	- ADDRESS	250 - BIG	5.0000	2		-		-	•	-	109.8
	_										le Bast/Abilet	1									4 4004		
- 785	2,4807	2.4570	2.4712	25	2,4608	2.5	2A169	2.4	17,7	Angyalia	(AS)	1.4825	-0.0127		1,4905	1,4795	1,4817	0.6	1.4791 7.7755	0.9 1.6	1.4684 8.0245	1.0 3.8	88.2
- 419	12,9673	128191	12 9235	1,3	12,9312	0.2	[3,1879	-1.9	•	Rong Kong	(1)	7/746	-0.901	450	7.7466 39.5300	7.7435 39.4700	7.749	-0.5	1,1130		D.UZ-63		
+ H32	66.0590 5 4952	65.3730 5.9756	•			-	-	*	-	indis	(Ret) (State)	39.4895 3.5812	-0.0005 -0.0048	730 - 270 782 - 842	3.5038	3.5877		_					
- 272	214,430	212,450	212.88	7.0	210.485	8.8	200.195	6.5	120.5		(1)	128.180	-1.4	130 - 230	129.050	127,900	127.83	5.1	126.555	5.1	121.815	5.0	121.3
* 45	6,5156	5.1458	6.249	-1.9	6.2863	-30	6.4588	-13	-	Malygia	(445)	3,7350	-0.125	300 - 400	3.9350	3.7020	3.7465	-3.7	3,7799	-4.8	3.98	-5.2 -1.6	
6.683	2,8659	2.8398	2.8855	-1.2	2.8703	-1,1	2.8868	-0.8	101.4	New Zealand	8/23)	1,7136	-0.0113	120 - 147	1.7215	1.7082	1,7167 39,9895	-2.2 -11.8	1.7221 40.858	-20 -127	1.7409 44.9145	-13.4	
- 387 - 678	66.3400	65.6955		-10.0	67.9464	-10.9	73.8154 6.1984	-11,6		Philippines	(Pesc)	39,6000	+0.0001	507 - 509	39,7000 3,7510	3,7505	3/1527	-0.6	3.7557	-0.5	3.7703	-0.5	
- 703	6,2805 2,7018	6.2070 2.8618	6.2594 2.8642	12	6.2451 2.8601	13 10	2,6517	7.1 0.8	1	Saudi Arabia Sincepora	. (SS)	3.7508 1.5966	-0.0245	950 - 960	1.6330	1.5945	1.5973	-0.6	1.5995	-0.8	1.6135	-1.1	
- 007	8.3237	ILM)0	0.3444	-4.3	8.4273	-8.1	A.7808	-5.8		South Africa	(g)	4.9690	-0.0145	675 - 705	4.9895	4.9075	5,0028	-44	5.0673	-7.9	5.3428	-7.6	
- 1	2572.13	2498.76		2		-		9		South Korea	(800)	1522.50	-28.5	700 - 800	1552,00	1508,00			-			4.0	-
- 721	54.2538	53.5800	54.1665	-02	54.1386	0.1	54.2972	-0.3	-	Talus	ं (गड्य	32,4135	+0.038	190	32,4280	32,3400	32,4885	- <u>20</u> -11.2	32,5535 41,475	-1.7 -11.2	33,0385 44,825	-1.8	-
- 795	70,7110	67.1320	67,9282	-8.3	68.9753	-9.3	73.6678	-8.3		Theliand	6 00	40,3500	-21.6 in Co Dain	000 - 000	43.0500	40,2000	40.725					-,,,,,	-

mittee's		uary m	eeting	A	verag			or Jan			(BC) Ristinger and	67,4048 made in the P	-3.766 band Sant					7.9282 -
release revealed		Wedn	esday, te had		y out	on W	ednes	day are tinuing		1/2/95, Th	e estantia d	ine printery in	100 1000 1	2 10 204	the on the la		elferne FT.	
tightene	ed to i	four-all.	Eddie	stro	ng g	rowil	of 4	.75 per										
		ank go								_	· ·			_				
CROS	SRA	TES A	NO DI	ERIVA	TIVE	S												
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elgkum lenmark	(DK1)	100	18.48	16.24	4.047	1,933	4772	5.463	20.16	495.8	412.1	21.09	3.939	1.597	3.762	2.668	342.0	2,442
	(Fr)	BT.59	10 11.38	8.788 10	2.624 2.985	1.048 1.191	2583 2939	2.957 3.364	10.91	268.3 305.3	253.8	11,42	2.132 2.426	0.864 0.984	2.036	1,844	165,1 210.6	1.522 1.504
eiand Teland	(DM) (E)	20.63 51.73	3.812 9.557	3.350 8.399	1 2.507	0.399	2469	1.127	4.13E 10.43	102.3 256.5	85.01 213.2	4.352	0.813	0.330	0.776 1.948	0.550 1.380	70.56 176.9	0.504 1.263
etieriands	i) Pi	2.095	0.387	0.340	0.102	0.041	100	0.114	0.422	10.39	8.635	0.442	0.083	0.033	0.079	0.058	7.166	0.051
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NOTICE

to the holders of the outstanding £300,000,000 9% per cent. Guaranteed Bonds Due 2020 of the Jesuer (the "Bonds")

(the "Honds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, at the adjourned Moeting of such holders convened by the Notice published in the Phancial Times on 24th February, 1998 and held on 12th March, 1998, the Estraordinary Resolution set out in such Notice was duly passed. Accordingly, the proposal for early repayment of the Bonds referred to in the Extraordinary Resolution has become effective and the repayment price of the Bonds is £1,332.59 per £1,000 in principal amount of the Bonds. Payments of the repayment price and actrued interest will be made subject to, and in accordance with, such proposal and Condition 7 of the Terms and Conditions of the Bonds on presentation and surrender of the Bonds and all unmatured interest coupons appertaining thereto at the specified office of either Paying Agent on or after 17th March, 1998.

European Investment Bank

PTE 30 Billion Floating Rate Bonds

due March 2005 (issued on March 15, 1995)

PTE 30 Billion Floating Rate Bonds

due March 2005 (issued on June 15, 1995)

Notice to the Holders

Notice is hereby given that the Bonds will carry an Interest. Rate of 4.455% per annum for the period March 15, 1998 to

PTE 1,123 per PTE 100,000 nominal
 PTE 11,229 per PTE 1,000,000 nominal

This Notice is given by:

B.A.F. International Finance p.l.c.

Windsor House, 50 Victoria Street,
London SW1H ONL.

Dated: 16th March, 1998



Investment Bank Italian Lira 300 Billion Capped Floating Rate Notes due 1999 Notice to the Holders

Notice is hereby given that the Notes will carry an interest rate of 6.15625% per annum for the period 16.03.1996 to 15.06.1996.

 TIL 77,808
 per ITL 5,000,000 nominal
 TIL 778,082
 per ITL 50,000,000 nominal Luxembourg, March 18, 1998

entitlement to payment of principal and interest on

deposits with Banco di Napoli

Hong Kong Branch

The receipts will bear interest at 6.125% per annum from 16 March 1998 to 15 Septemb 1998. Interest payable on 15 September 1998 will amount to US\$31.14 per US\$1,000, US\$311.35 per US\$10,000 and US\$3,113.54 per US\$100,000

Agent: Morgan Guaranty Trust Company JPMorgan

ROYAL BANK OF CANADA

Dividend No. 443 NOTICE IS HEREBY GIVEN THAT a dividend of 42 cents per share upon the paid-up Common Shares of this Bank has been declared payable for the current quarter at the Bank and its branches on and after May 22, 1998 to shareholders

of record at close of business

By Order of the Board Jane E. Lawson Senior Vice-President & Secretary March 5, 1998

on April 24, 1998.



investment Bank Italian Lira 350 Billion Floating Rate Notes

due December 1969 Notice to the Holders Notice is hereby given that the

Notes will carry an interest rate of 5.40625% per annum for the period 16.03.1998 to 15.06.1998. !TL 68.329 per ITL 5,000,000 norminal • ITL 683,290

per ITL 50,000,000 nominal Luxembourg, March 16, 1998

LEGAL NOTICE

IN THE RIGH COURT OF JUSTICE IN THE HAST COUNT OF JUSTICE
CAUNCIEST INVESTOR
NO. 005001 OF 1997
IN THE MATTER OF
FREMONT INSURANCE
COMMANY (NIC) LIMITED FREMONT INSUFINANCE
COMPANY (INC) LIMITED

AND PLYTER MATTER OF SECTION 425 OF TER.
COMPANES ALT 1985

As a meeting held on 15 December 1997 in London, the
Schieste of Arrangement ("the Schieste") between
Fremont Innovance Conspany (IAO) London of the
Company") and its Schieste Creditors in defined in the
Schieste of Arrangement ("the Schieste in defined in the
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On 4 March 1991, the 16th Count of Innition of Schieste Creditors.
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On 10 March 1991, an effort copy of \$45 Count Order
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Continues for registration. The Sfinche Date of the
Schieste Arrangement Injunctive field under Section
IP4 of the US Federal Residency Code producing for
section of the Interest of the Schieste in the United
States of America, uses made on 11 Federal Pulpin of
Linted States Businessey Count to the Count Delete of
Colloria.
Philip John Singer and Cleaterphia John Hughes, partners
in the United States Businessey Count to the Count Delete of
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Calloria, against the County of Copyer & Lythoud an
challengement County of Copyer & Lythoud security
from the Internation County of Copyer and Collected
Bestal 182 (III)
United Singlam
Dated the 10th shy of March 1958

Notes will carry an Interest Rate of 5.35625% per armum

for the period 16.03.98 to 15.06.98. • ITL 67,698 per ITL 5,000,000 nominal

Wrk % Apart Indianat Shareta* (Linux up to Flore Years) 0.1 100 Apa7 (Mar)	Trace 10cc 2003	. 1132 -1 1,52	Out of Res 3 Mrs Ses 2.3 1281 9 Ser 10 Mrs 11 10.9 1290 3 Mrs A Bry 18 8.5	Index-Linked (b) 21-20-189 (190-) 0.1 2 My/22 My/22	13.5 -	PTE 561,452 per PTE 50,000 Luxembourg, March 16, 1998	, SOU TRATIFIC
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London chaing. "New York closing.

Sound Amendmen Dalleff Magnetism Visids Local maded chanded/formalism yield banks. Yields shown for lawly exclude willbacking ass at 12.5 per cool payable by provedibles.

June 15, 1998.

= (To Advertise * # Your Legal Notices Please contact Melanie Miles on Tel: - 44 0171 873 3349 Fase +44 0174 873 3064

THE ROYAL BANK OF CANADA U.S. \$300,000,000 Floating Rate Debentures due 2085 Debentures due 2085
NOTICE IS HEREEY GIVEN that for
the Interest Period commencing
on 17th March, 1998, the Notes
will beer interest at the rate of
5.875% per amum. The Interest
payable on 17th June, 1998
against Coupon No. 49 will be U.S.
\$1E.013868 per U.S. \$1,000 nominal.
Agent Bank ROYAL, BANK OF CANADA

European Investment Bank ITL1,000,000,000,000 Floating Rate Notes due 2004 Notice is hereby given that the

> • ITL 676,971 per ITL 50,000,000 nominal Luxembourg, March 16, 1986

> > ----

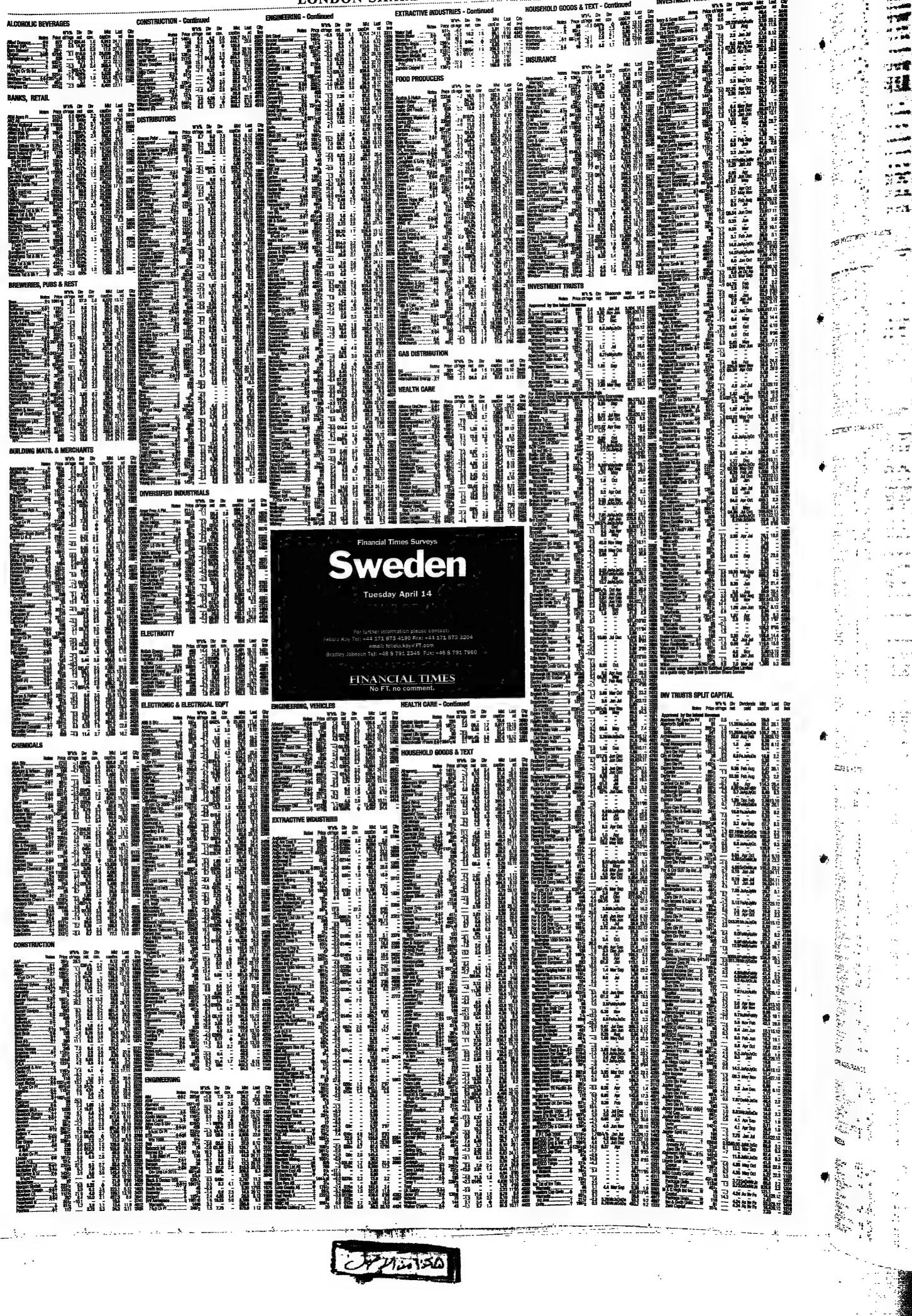
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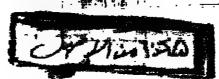
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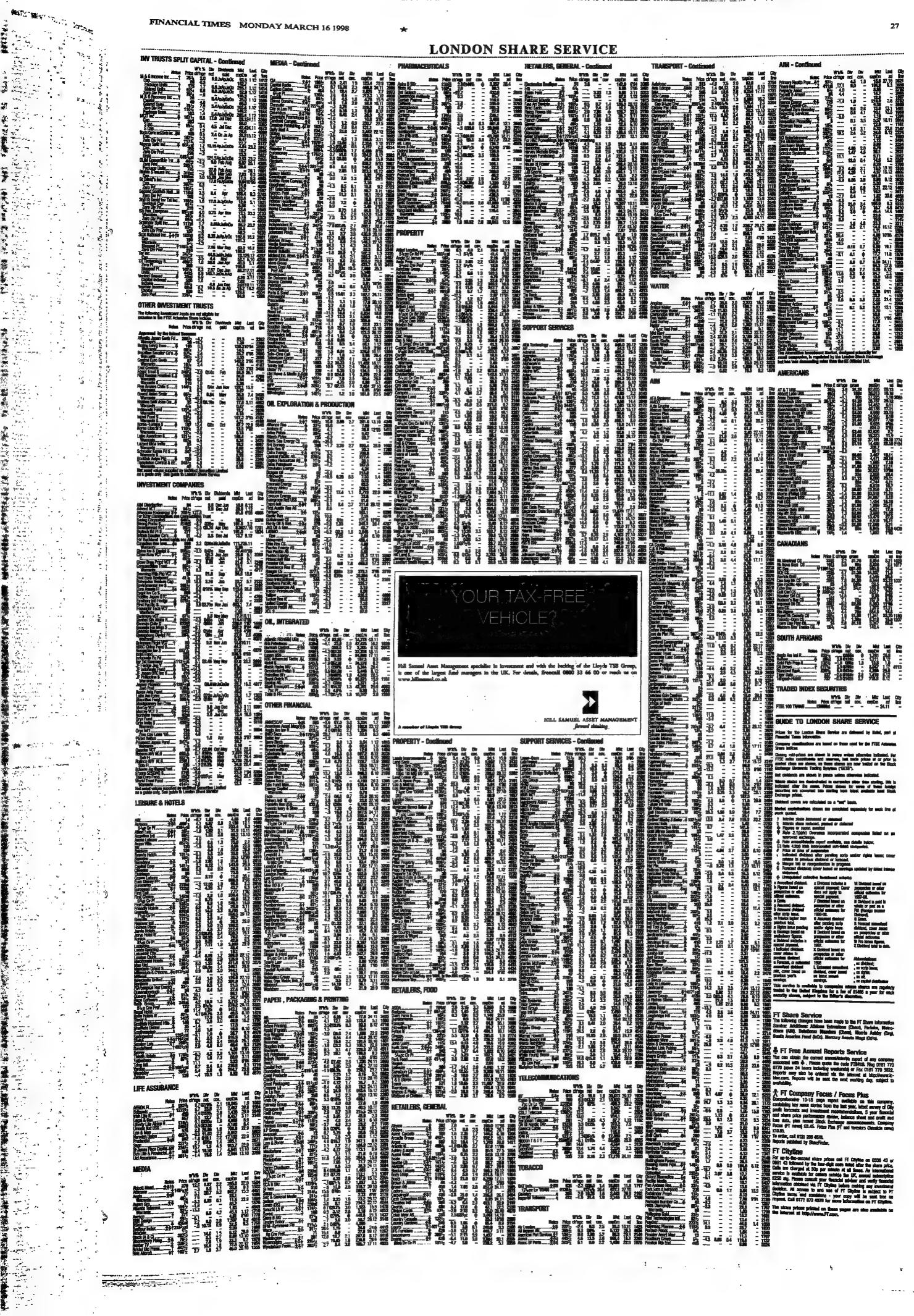
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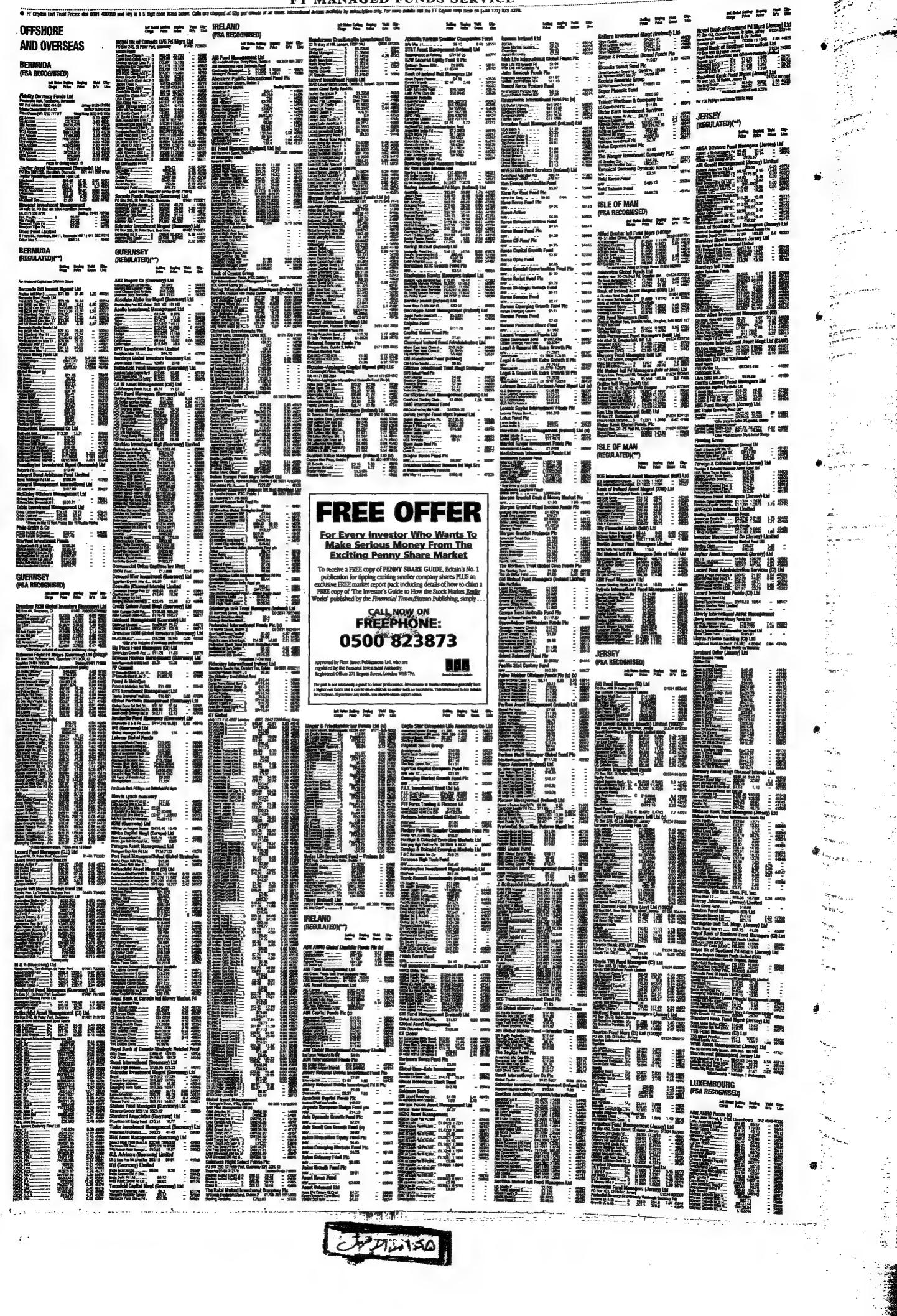
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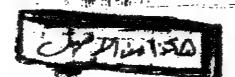












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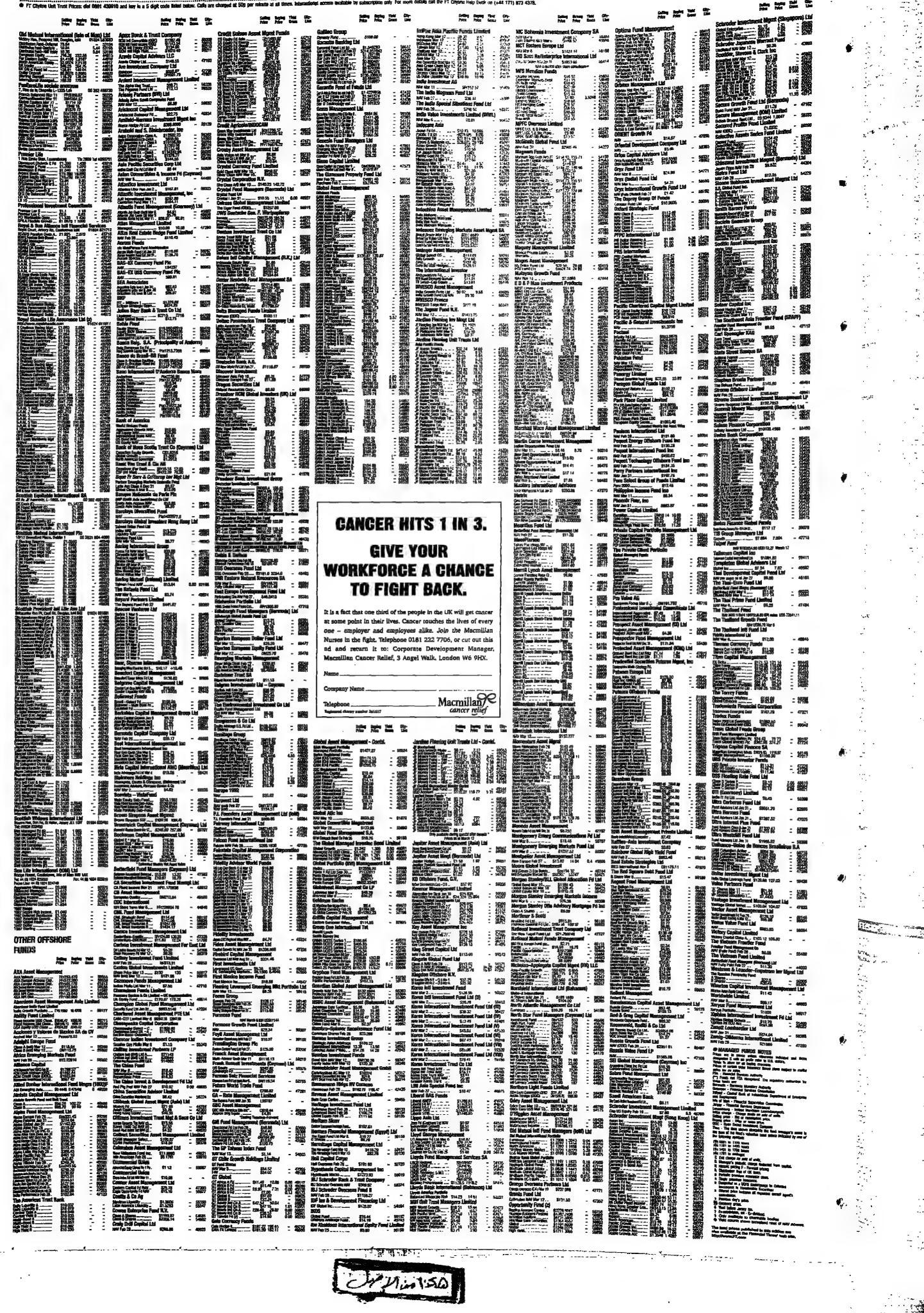
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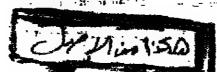
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MONDAY 16

Human rights landmark

The UN Commission on Human Rights meets in Geneva for its annual six-wee session to review the state of human rights around the world. This year's session, which marks the 50th anniversary of the universal declaration of human rights, will be addressed by, among others, former dissident and now Czech president Vaclav Havel, Lionel Jospin, French prime minister, and Kofi Annan, UN secretary-general. Human rights groups say the 53-member commission is too politicised, citing the European Union's decision not to press a resolution criticising China this year, and the past failure of the commission to investigate the massacres in Algeria.

Schröder's plans

Gerhard Schröder, the Social Democratic challenger to Chancellor Helmut Kohl in September's federal elections in Germany, is expected to outline further details of his election programme in Bonn, His press conference will follow an earlier meeting of the SPD's federal and state leaders which could provide a further opportunity for left-wingers to stamp their imprint on the programme. German industry has already criticised Mr Schröder's hints that he will repeal structural reforms implemented by .

IADB gathers

Bankers and finance officials have been gathering over the weekend in Cartagena, Colombia, before the annual meeting of the Inter-American Development Bank formally gets under way today. The main item on the official agenda will be whether to double the bank's ability to lend directly to private sector borrowers to finance much needed infrastructure projects in the region. in the wings, bankers and officials will discuss whether the region will escape the worst of the fall-out from Asia's financial

Good Korea move

Four-party peace talks on the Korean peninsula resume in Geneva for a five-day ession after an historic first round lest December. The talks between North and South Korea, the US and China, aimed at forging a permanent peace treaty to replace a fraying 1953 armistice, will focus this week on confidence-building and new president Kim Dae-jung said in his inaugural speech last month that he would actively pursue Korean reconciliation but North Korea, preoccupied by worsening food shortages, has put the country under "wartime mobilisation".

Lines of communication

Telecoms officials and industry representatives from over 100 countries meet in Geneva for the second World

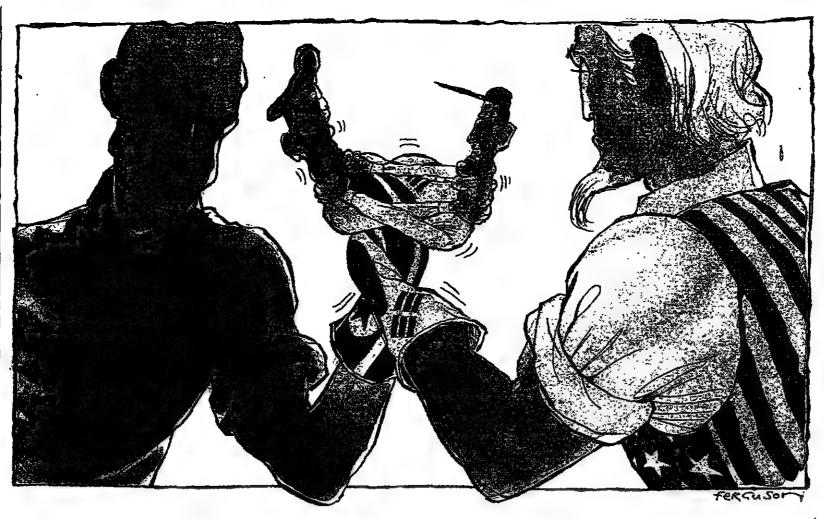


Other economic news Monday: Confidence among

Canadian manufacturers is likely

to have been hit by the weather in January, Japanese money supply growth was probably steady last month. Tuesday: UK retail price inflation is expected to have been stable at the government's terget rate in February, while the public sector's finances should have moved back into the red. US housing starts should have posted strong gains in February, while Industrial production was probably weak.

ednesday: Retail sales in the UK are forecast to have fallen in February. UK unemployment should have dropped too, with everage earnings growth stable in the preceding month. Thursday: Core consumer price remained at recent subdued levels last month, while the balance of payments deficit should have fallen below \$10bn (£6.3bn) in January. The Bundesbank council is unlikely to move interest rates. Friday: German money supply growth is thought to have accelerated in February. Meanwhile bank lending is likely to have remained strong, reflecting demand for credit stimulated by low interest rates.



The US, China and North and South Korea meet this week for the second round of talks in Geneva aimed at resolving the bitter conflict between the two halves of the Korean penin

Telecommunication Policy Forum. The main theme of the three-day forum, hosted by will be moves to reform the system of accounting rates that telecoms operators pay each other to connect international calls. The ITU is urging all its 188 members to work towards cost-based payments to replace the crumbling structure of bilaterally negotiated rates, a change that could nevertheless cost developing countries billions of dollars in valuable hard currency.

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Chinese posts

The election of the president and vice-president of China are the highlights of the 12th day of the annual session of the National People's Congress; leaders and members of the Chinese parliament's standing committee are also voted in, together with the chairman of the country's Central Military Commission.

Opec monitors output

The ministerial monitoring committee of the Organisation of Petroleum Exporting Countries holds its regular meeting. The committee, comprising three ministers and Opec secretary general Pilwanu Lukman, will monitor oil market developments and the output of individual member states.

Beef ban talks

European Union farm ministers meet amid hopes they will agree the first easing of a ban on UK beef exports since an embargo was imposed two years ago. The European Commission, the EU's executive, is backing a scheme that would allow exports from Northern Ireland, which has a low incidence of BSE mad cow disease, cause of the ban, and keeps computer records of cattle

FT Surveys

UK Mid Market Companies; Pharmaceuticals.

Holiday

Australia.

TUESDAY 17

Brown's big day

The UK Budget will be one for accountants rather than for economists, according to one enalyst. Most expect chancellor of the exchequer Gordon Brown's emphasis to be on microsconomic measures, such as the Individual Savings Account, the Introduction of a minimum wage and stakeholder pensions that were foreshadowed in his November pre-Budget statement. The key measure may turn out to be the introduction of a 10 per cent starting rate of tax, almed at increasing financial gains for the low paid and encouraging the unemployed back to work - although critics say that reform to the structure of the benefits system would be more effective Although much of the shape of the Budget is known, and expected to be broadly neutral, one or two surprises are likely. A spare 92bn may be available, with the

National Health Service leading a pack of deserving causes. For City economists, the Budget might be overshadowed by the latest inflation figures and government borrowing figures, published the morning of Budget day, while unemployment and retail spending data follow on Wednesday.

FT Surveys

Retailing: Telecommunications

Holidays

Bangladesh, ireland.

WEDNESDAY 18

View of Asia

The United Nations Conference on Trade and Development and the international Chamber of Commerce release in Geneva the results of a joint survey of the foreign investment plans of some 500 multinations companies in the wake of the financial crisis in east and south-east Asia. The chief executive of ABB, the Swiss-Swedish power engineering group, said recently that ASB was continuing to expand in the Asian region which he believed would bounce back in the next two to three years "and resume growth even faster than before".

Annan in mideast

United Nations accretary-general Kofi Annan will visit five Middle East countries and the Palestinian territories from March 16 to 26. The trip was scheduled for last month but was postponed because of the Gulf crisis when Annan carried out a peace mission to Baghdad.

Commission plans

The European Commission unvalle a controversial blueprint for reform of the European Union's regional aid arrangements and common agricultural policy which together account for the vas bulk of the EU budget. The regional aid reforms will concentrate funds on fewer areas while changes to the CAP will cut guaranteed prices for products while providing larmers with compensatory payments. Both proposed reforms have to be approved by the EU's 15 member states and are likely to take at least a year to negotiate.

FRIDAY 20

Partners in crime

EU lustice and interior ministers meet to continue efforts to co-ordinate policies in the fields of crime, immigration and asylum Items on the spenda include a controversial



scheme to fingerprint all those seeking asylum in any EU member state. There will also be a debate on organised crime and a review of action taken so far to deal with the influx of migrants from Iraq and neighbouring regions to the EU. Ministers also have to decide to what extent they will open their decision-making process to public scrutiny, in an on-going debate about openness and transparency.

Blair meets Kohl

Tony Blair meets Helmut Kohl, the German Chancellor, in Bonn for talks that will centre on European affairs. Since his election Mr Kohi has sought to cultivate a close relationship with the UK's Labour prime minister - and the chancellor will be looking for UK support as crucial decisions are taken in coming months over the planned European single currency.

Trade on the net

The Geneva-based World Trade Organisation publishes a study on electronic commerce which examines the potential trade gains from the growth of commercial transactions on the internet. Electronic trade, about \$8bn (£4.7bn) last year, could top \$300bn by 2002, according to one US study. The US has asked WTO members to formalise the current practice of not imposing customs duties on goods and services supplied electronically but work has only just begun on the implications of internet trade more generally for government policy and WTO rules.

Hollday

SATURDAY 21

Saintly task

Pope John Paul II pays his second visit to Nigeria to beatify Father Cyprien Tansi, who died in 1964 and is the first Nigerian to reach the last stage before sainthood.

4

Hollday

Mexico, Azerbeljen, Iran, Japan, Kazakhetan, Kyrgyzstan, South Africa, Tuniele, Turkmenistan, Uzbekistan.

SUNDAY 22

Clinton's Africa tour

US president Bill Clinton visits Ghans on the first leg of an African tour, he travele on to Uganda, South Africa, Botswana and Senegal. Clinton is the first US president to tour sub-Seharan Africa since Jimmy Carter went to Nigeria and Liberia in 1976.

Precious water

World Water Day this year highlights the threat to the world's groundwater reserves from pollution, water mismanagement and rising populations.

Holldays

Compiled by Roger Besis Fax: 44 171 873 3196

ECONOMIC DIARY

Dey	24	Economic	Median	Previous	Day		Noncepts	Median	Previo
Released		Statistic	Porecest	Actual	Released		Statistic ·	Paramet	Actu
Mon /	. Germeny	Feb wholesale price index*	0.1%	-0.1%	· · · · · · · · · · · · · · · · · · ·	UK .	Feb retail sales"	5.6%	6.99
Mer 16	Cenada	Jan manufacturing new orders	-0.6%	-1.7%	<u> </u>	Japan	Feb-trade bal (customs cleared) not;	Y1.08tn	Y690
A Section	Ganada.	Jan menufecturing shipments* . :	-1.0%	2.0%	Thurs	Germany	Jan trade balance	DM10.3bn	DM1
96,45	Japen	Feb money supply (M2+CD)**	4.5%	4.3%	Mar 19	Germany	Jan current account	-DM2.0bn	DM7
	Jèpen	Feb broad liquidity**		3.2%		Germany	Feb Ifo West business climate Index	89,3	99.3
Tues	Japan	Jan Industrial production:		2.9%		Germany	Feb tto West balance format		3.9
Mer 17	Japan	Jan shipmentsi		3.1%		UK	Feb M4"	0.8%	0.29
Pro 100 1	Japan	Feb Tokyo department store sales**		-5.8%	•	ŲK	Feb M4"	9.5%	10.1
100	Haly	Q4 final gross domestic product	0.2%	0.6%		UK	Feb M4 lending	.£4.5bn	23,
Sport Sec	italy	Q4 final gross domestic product**	2.8%	2.2%		US	Feb consumer price Index	0.1%	Unc
. 11	UK .	Feb retait price index*	0.4%	-0.3%		US	Feb consumer price Ind ex food/energ	y0.2%	0.2
	UK	Feb retail price index**	3.3%	3.3%		US	Jan tradet goods and services .	-\$11.5bn	-51
9 11 1	UK	Feb reteil price index ex mortgages**	2.5%	2.5%		US	Jan goods/services suport (bel of pay)	\$79.3bn	\$80
1.0	UK .	Feb public sector borrowing requiremt	62.2bn	-£10.4bn		ÚS	Jan goods/services import (bal of pay)	\$90.8bn ·	\$90
	US	Feb housing starts	1.55m	1.53m	·	US	Mar Philadelphia Fed Index	11.8	12,8
	US	Feb building permits		· 1.43m		US	Feb real earnings		0.99
	US	Feb Industrial production	Unch	Unch	Fri	Canada	Jan retail sales †	-1.5%	2.79
	US	Feb capacity utilisation	82.8%	83.0%	Mar 20	US ·	Feb Treasury budget	-\$40.0bn	\$25
	Canada	Jan wage settlement increase"	1.75%	1.7%	During t	he week			
	US	Redbook Merch 14	• .	-1,9%	•	Italy	Feb balance of payments		-1.4.
Weds	Italy .	Jen industrial production** not†	7.5%	8.1%		Germany	Feb M3 from Q4 97 base	3.5%	3.15
Mar 18	UK	Feb unemployment	-17.8k	-12k		Germany	Feb M3 from Q4 96 base	4.6%	4.59
·	UK	Jan average earnings	4.75%	4.75%		Germany	Feb private lending 6 month, annually	6.3%	6.39
	UK .	Jan unit wages 3 month**	3.9%	3.6%		Germany	Feb Icon consumer climate		95

1 Getting a share of the busi-

ness (12)
10 Talk of a college census (7)
11 Leaders of New Zegland and Australia follow revolutions

lutionary passage (7)
12 A handy cover (5)
13 Second international is embraced by alien seeking to get away (8) 15 Violation in one quarter,

say (10) 16 Cannabis, heroin, ecstasy one wanting to legislate (4)
18 Skin cover up (4)
20 Difficult relations about

American in one part of

Congress (10)
22 Dies away after being close by the kerb (8)
24 Criticise a society engulfed in rubbish (5) 26 The Number One book comes over with real feel-

ing (7)

27 Alice for example is too unset for mourning (7)

28 Work quietly on broken leg, in danger from ghostly

companion (12)

Castigate for moment of primal fear (4,3) 3 Main road (8) 4 Black tie? A problem? Get

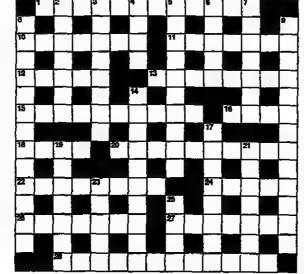
your teeth into it (4)
5 Can social change incorporate love from time to time? (10)
6 Help Ulster to rise to be a

democratic state (5)
Real information leads university into new experi-ments (7) 8 One who hopes to make a

8 One who nopes to make a good deal (7,5)
9 it's policy to change after role in Lib-Lab machinations, for example (5,8)
14 The races finish in an ace formation for those present (10)

17 A number mistake route through marshy ground (8) 19 Did include moan about the suit (7)
Fancy removing all the letters from one Economist, for example (7)

Leave work to slide down-hill over later hours (5) 23 25 Pray about king on high ground (4)



Winner of Puzzle No.9,620: Joyce Radberg, London W2.

MONDAY PRIZE CROSSWORD No.9,632 Set by ADAMANT

A magnum of Laurent Perter Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel PT desk clock. Solutions by Thursday March 26 marked Monday Crossword 9,682 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 30. Please allow 28 days for delivery of prizes.

Address Solution 9,620

JOTTER PAD

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PHARMACEUTICALS

The spate of mergers and acquisitions in the industry reflects weakness rather than strength and, predicts Daniel Green, the dealmaking is likely to continue

Uniting against a sea of troubles

To merge or not to merge, That is the question pharma-ceuticals industry executives are asking themselves. On can last a long time. the one hand they could sufmight bave to slug it out alone in a world where competitors move fast and customers are powerful. ...

been on board meeting agen- shareholder value.

aborted in January - says its aged sales and morale, board of directors maintains a list of potential merger extreme example of what partners. Once a year it pulls out the list and debates whether or not to make a

A senior executive from a rival company, upon hearing AT Kearney, the US manage this, expressed surprise that this happened only once a companies which took part

maceuticals industry merg- past decade "have generally ers and acquisitions over the had lower economic returns" past five years demonstrates than those that did not. how enthusiastic companies are about getting together. answer can be summed up in Yet everyone, in every industry, knows that mergers are heli.

"For any executive conducting a merger, it means if they had not merged. two years of job insecurity. saying goodbye to spere time at evenings and weekends, all for, possibly, a small pay pharmaceuticals company

There are salutary exam- had failed to find a replaceples in the pharmaceuticals ment for its ageing star prodbusiness of how merger hell

fer the morale-damaging acia and its US rival Upjohn ics but little else. Within uncertainties of bringing merged in late 1996. Since months of their merger, two separate businesses then the company has had a SmithKline Beecham two separate businesses then, the company has had a SmithKline Beecham together. On the other, they series of profits warnings, announced 5,000 job cuts. lost a chief executive and, if its employees are to be believed, provided an object lesson in how cultural differ- difficulties. The merger question has ences can destroy jobs and

New chief executive Fred One former executive with Hassan has changed his US company American entire board of directors bar Home Products - whose one, moved headquarters 1994, Roche and Syntex in merger talks with the UK's from London to the US and 1994, and more.

SmithKline Beecham were is still wrestling with dam. While most senior execu-

Pharmacia & Upjohn is an can go wrong after a merger but, according to the work of some management consulmergers do good is scanty. ment consultancy, says that in the \$100bn-plus mergers The \$200bn-plus of phar- and acquisitions spree of the

> So why do they do it? The the regular response to research such as AT Kearney's: those companies would have done even worse

> Just about every large merger or acquisition in the pharmaceuticals industry has been driven by the need to solve problems.

In 1969, SmithKline Beckman's huge research effort the theme repeatedly. Smith-

diseases. Our agribusiness, Hoechst Schering AgrEvo, is ensuring nutrition for the world's growing population through integrated

uct, ulcer drug Tagamet. Beecham was in a similar Swedish company Pharm- position, with great antibiot-The following year, profits rose 19 per cent in spite of the unmerged companies'

> Similar stories are told by the mergers of the likes of American Home Products and American Cyanamid in 1994, Glaxo and Wellcome in

tives at the companies involved insist that these were all good deals, cracks can sometimes be found. Henri Meier, chief financial officer at Roche, amiles enigtants, the evidence that any matically when asked whether the \$5.3bn spent on Syntax would not have produced better returns as part of Roche's cash pile.

> Sometimes problems are acknowledged more openly. US company Eli Lilly last summer took a \$2.4bn charge to reflect the fall in value of PCS, a drug distributor it bought in 1994 for \$4bn.

> But the norm is to keep quiet: SmithKline has not made a write down on DPS, the distributor it bought for \$2.3bn also in 1994, even though, four years later, it is still making losses.

> ing that some of the companies involved in making the big deals happen, return to



Kline and AHP were in merger talks in January and have in common with each Glaxo and SmithKline in other and with others that February. And, in May 1997, Roche paid \$11bn for German diagnostics company Boehringer Mannheim.

Two that have not are Eli Lilly and Merck, which made a \$6bn acquisition of a dis-So it should not be surpris- tributor in 1993, firing the starting pistol on the drugs industry mergers and acquisitions spree, but has not made any foray since then.

What do these companies have avoided playing the mergers and acquisitions

The answer is rapid growth generated by new

For Lilly it has been Pro-Zyprexa, for schizophrenia. Merck is the world leader in the biggest medical area,

Other companies that have mergers are declaring to the eschewed mergers and acquisitions have also had fast growing products. Pfizer, for example, has

three products with sales beating \$1bn a year and another - Viagra - that could be launched this year. Viagra, for male impotence, sac, the anti-depressant, and has been tipped by some analysts as a future world's

number one best seller. this month about the possi-All of this suggests that bility of Glaxo merging with number one best seller. companies announcing SmithKline: "It would be little alternative.

slash-and-burn cost-cutting But in their position I would

do the same."

To that extent, mergers and acquisitions seem inevitable. R&D cannot guarantee to produce new products; an unlucky streak can leave a company without the goods to make up for an older product losing patent protec-

So, if such dealmaking is inevitable, what is the best way to do it?

A survey of pharmaceuticals industry executives that have been through the merger process produced a, perhaps, surprising result. The most important success factor, said the executives, was "creating a new com-pany". It came in ahead of realising cost and sales synergies", "managing people"

and "focusing the portfolio".

This lesson is strikingly seen in the relative fortunes of the two big mergers of 1996. Swiss companies Ciba and Sandoz agreed a friendly merger to form Novartis. Ciba management, in particular, had memories of the years following the 1970s merger of Ciba and Geigy when employees still identifled with one of those two names rather than the new company. Today, Novartis is one of the more successful

merged companies. Contrast that with Pharmacia & Upjohn, where langnage and geography con-tributed to the damaging maintenance of the two company cultures. If Glaxo and SmithKline ever do merge, it will be interesting to see if they choose to sweep away the old names.

Many of those involved in successful mergers think the best way of proceeding is to destroy the old to build the new. Dan Vasella, Novartis chief executive, puts the case compellingly: "People must look to the future, not

the past." Dealmaking will continue make the merger a bad in the pharmaceuticals industry as long as R&D is unpredictable. That means that the dismantling and As one chief executive of a reconstruction of companies will continue too. When merger-shy company said senior executives want continuous growth, there seems

world that they have prob-

lems that can only be

addressed in this drastic

That does not necessarily

move; it might be the best

thing to do under the cir-

cumstances.

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HEALTH ECONOMICS • by Simon Eckett

Balancing more for less

Higher drug costs often translate into lower overall healthcare costs

Pharmaceutical companies are growing at an unprecedented rate. In the 1996/97 financial year Merck grew by 19 per cent; Pfizer by 16 per cent; Astra by 16 per cent and SmithKline Beecham by 10 per cent. The US continues to dominate world markets with 15 per cent growth in value terms to September, 1997.

Such growth is astonishing. Yet, it was only five years ago that a more demanding breed of purchasers - private managed care organisations in the US and public purchasing bodies across Europe - keen to drive down prices and volumes through the use of "evidence-based medicine" and formularies, appeared likely to threaten the success of the industry.

There was even talk of an additional hurdle, subsequently introduced in Canada and Australia, obliging pharmaceutical companies to produce economic data before receiving reimbursement approval.

Many executives felt health economics posed the greatest threat to growth



That threat appears to have receded. In part, this is due to the purchasers themselves, who have found that pharmaceutical products can be more cost effective than other more capital or people-

intensive interventions. France's health secretary innovative pharmaceutical products can save money in other parts of the health care system such as hospitals. In Germany, new

research shows that outpatient spending on medicine is growing significantly as the country's statutory health insurers shift patient care, particularly chemotherapy and dialysis, out of hospitals. In the US, the managed care organisations conceded last month that themselves appear to be driving the market's recent growth.

Such a shift in purcha-

happened without:

perceptions could not have

 the development of innovative drugs for complex diseases that previously required in-patient hospital treatment the production of relevant

and persuasive economic evi-

The Canadian Co-ordinating Office for Health Technology Assessment recently demonstrated that Clozapine, a treatment for schizophrenia developed by Novartis, could save the Canadian

Epivir, plus a protease inhibitor, can reduce the Aids virus to undetectable levels in some patients.

healthcare system C\$389m in

annual direct costs, mainly

due to reduced hospitalisa-

tion, compared to increased

drug expenditure of C\$63m.

Central Nervous System

(CNS), a therapeutic sector

which includes schizophre-

nia, depression and Alz-

heimer diseases, is the fast-

est growing segment in the US market. Combination

therapy with Retrovir and

According to Glaxo Well-

come, the annual cost of combination therapy ranges from \$10,000 to \$16,000 while the cost of treating Aids in a hospital in the US is estimated at \$100,000 per year. For purchasers such expenditure and investment decisions are not straightfor- and gain the full value of a ward. Often cost savings are not directly related to the

purchaser themselves. A product may reduce time off work or hospitalisation, but increase drug costs for which a particular pur-chaser, for example a GP with a limited budget, is directly responsible. A new innovative drug

may be more expensive than a "cheaper" alternative, yet reduce comparative hospitalisation rates and other costs. That will make it more cost effective, but have an adverse impact on a purchaser's drug budget.

STRATEGY • by Daniel Green

iggest markets, 1996 Market share (Per cent) Estimated sales (USSbri) Grazil UK Canada outh Kon China Nego

Alternatively, costs are so entrenched in the healthcare system that they cannot be reduced despite the existence of a cost effective alternative. Some pharmaceutical companies work directly with purchasers and providers to re-engineer the delivery of healthcare services

drug's intervention. A "value in use" study saw a pharmaceutical company work with hospitals and GPs to introduce a cost effective domiciliary care service for cancer patients. Drug costs increased, but expensive hospitalisation was reduced.

Such work is data intensive. Pharmaceutical companies are re-aligning their global health economics departments with their clinical and marketing efforts to ensure they capture and disseminate all the relevant

Glaxo Wellcome has combined its R&D and marketing global health economic teams into a single entity that reports to the research and development side of the business. According to Dr Francois Schubert, Glaxo Wellcome's Worldwide Direc-

tor of Health Outcomes, "Our work load has increased significantly over the last few years. In addition to producing increased economic and quality of life data for decision-makers and purchasers around the world, we are involved in product investment decisions from discovery right through to Phase IV trials. That requires a fully co-ordi-

reach and impact." Health economics has encouraged pharmaceutical companies to focus their research efforts on innovative cost effective treatments and helped purchasers to

nated team with global

refine their understanding of increased drug budgets.

Over the past five years purchasers have challenged pharmaceutical companies to deliver cost effective products for treating their most complex and chronic diseases, such as schizophrenia, cancer and asthma.

Pharmaceutical companies that have responded to the challenge are now reaping the rewards of higher sales and profitability.

The challenge is a tough and a constant one. In many European markets, where pharmaceutical growth rates are not as high as in the US. public purchasers have yet to be persuaded that higher drug costs translate into lower overall healthcare costs. Given their traditional scepticism they will take some convincing

Simon Eckett is a consultant at Deloitte Consulting/Broxton Associates

Does your pharmaceurica company

need to grow taster arow smalle

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whether to go for big and efficient or small and innovative

There are few issues likely to set pharmaceuticals industry executives arguing more than that of whether higger companies are more efficient than smaller ones.

The question goes to the heart of whether the series of mergers and acquisitions that has dominated the industry's strategic thinking since 1993, addresses share-holders' demands for higher growth

The pro-big company argument is articulated every time there is a large merger or acquisition. When Smith-Kline and Glaxo, for example, were in merger talks lest month, they said each company's strengths made up for the other's weaknesses in

Specifically, Glazo is strong in automated chemistry (which more usually goes by the technical name of combinatorial chemistry) in which thousands of different molecules can be prepared in

SmithKline is strong in the genetic research that has thrown up too many avenues of research for it to follow. Bringing the two together might have made it possible to test Glaxo's molecules against SmithKline's

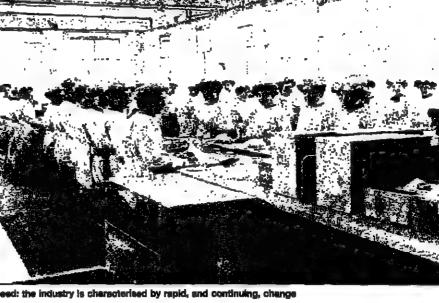
Other mergers, such as that between Swiss companies Ciba and Sandoz to form Novartis, argue for complementarity in product lines, rather than R&D. In all cases, of course,

there are cost savings to be made through workforce cuts and plant closures. These lead to some of the most persuasive arguments in favour of scale, the ability to secure a given level of sales with lower costs.

The anti-merger argument high drug price. But, after a has been articulated rather merger, the new company more quietly. Proponents have included chief executives, notably SmithKline Beecham's Jan Leschly, stock market analysts and management consultants.

The argument, most obviously in a version published by Andersen Consulting in October 1997, runs as follows: to keep pace with the average industry growth rate of 10 per cent a year, the top 10 companies will each have to launch five important new drugs a year, with each reaching annual sales of \$350m. But, between 1990 and 1994, companies in the industry launched an average of only 0.45 new drugs a year, as opposed to improved versions of existing drugs. And only 8 per cent of products launched reached sales of \$350m.

Even mid-sized companies will have to launch three new drugs a year to grow at industry average rates, says the management consultants, so the question is whether these large companies can generate the productivity to match their



Speed: the industry is characterised by rapid, and continuing, change

The case was put more pithfly by Sir David Barnes. chief executive of UK drugs company Zeneca, at his company's annual results presentation.

He was discussing the challenges that would face Glaxo Wellcome and Smith-Kline Beecham, Zeneca's two larger UK rivals, if they merged.
"Over the last few years

we have been launching drugs at a rate, on average. of more than one a year. If those two companies merged, they would be four or five times larger than that. Consider how many drugs they would have to launch a year to grow at our

Sir David struck at the heart of the size/efficiency debate. Few argue with the idea that larger companies can manufacture more efficiently. This is especially true of the pharmaceuticals sector where there has been political pressure to manufacture in the countries where drugs are sold. Siting a plant helps smooth the path towards approving a often has two plants per

country and one is usually Nor, of course, is there debate about the benefits of having only one headquarters operation instead of two. And sales forces have to be large enough to cover all doctors in a given territory, with each sales executive selling a range of products.

Experience suggests that these overlaps can be cut to boost profits growth for one or two years. What happens after that depends on whether doubling the size of the research and development operation more than doubles its output.

It is a difficult change to measure but there is evidence to suggest that, beyond a certain size, R&D becomes less efficient. Management consultancy

Gemini Consulting calculates that adding an extra dollar of spending gives the biggest incremental increase in output with budgets of between \$400m and \$900m a year. In people terms, increasing headcount once the 60,000 employee mark is reached is progressively less

ellective. There is also counter evidence from the biotechnology sector, where companies typically consist of a few hundred (at most) employees, the majority in research and development. The US biotechnology industry asso-

ciation claims that the typical cost of drug development in the sector is little more than \$100m. This compares with the \$200m to \$800m range usually attached to drug discovery and development in the mainstream pharmaceuticals sector.

Eran Broshy and Gayatri Sindhi, at Boston Consulting management consultants in New York, have identified several ways by which companies can try to boost their research and development productivity without having

"Critical mass and scale are shrinking, with barriers to entry coming down through outsourcing," says Mr Broshy. "Scale is becoming less of an issue,"

He points to the rapidly increasing use by pharmacenticals companies of biotechnology company partners as a means of outsourcing research and so-called contract research organisations which actually carry out clinical trials, the D in Enjoy

They also point to regulatory harmonisation, which is being pursued by health regulators in Europe, the US and Japan, as a means of cutting red tape, and to new developments in the conduct of clinical trials to increase the chance of their success through better pre-selection of patients.

They note "resistance" by drugs companies to this last item: they fear that narrower groups of patients will result in smaller markets for each drug.

The question that is much more difficult to answer is whether this kind of approach will boost R&D enough to persuade chief executives bent on mergers to change their minds. It is a question that cannot be answered in any laboratory, only in the real world of business.

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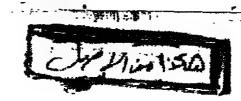
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While emerging markets appear to provide significant

opportunities for increasing

sales, from a manufacturing

perspective they also provide

important sources of lower

Roger Price, formerly

Director of International

Purchasing and Contracts at

Glaxo Wellcome, says: "The

impetus for seeking good

quality, reliable suppliers of

low cost materials from Asia

has been a response to pres-

sures on profit margins

faced by both generic and

multinational pharmaceuti-

In addition, it must be

recognised that some phar-

maceutical companies, in

both the USA and Europe,

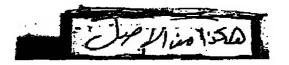
are outsourcing production

to approved suppliers in

This frees domestic capac-ity for ingredients needed for

emerging territories.

cost raw materials.



EMERGING MARKETS • by Jeff Devlin and Paul Hemsley

Development demands equal treatment

Neglect is being replaced by targeted research and assessment of specific needs

For most large drugs companies, the traditional approach towards emerging markets has been to launch existing, often old, products originally developed for mature economies. Until recently, few have tried to analyse the medical or economic needs in emerging markets. Nor has there been much research and development directed towards the development of products to meet these needs.

This apparent lack of interest has been strongly policies which have appeared to be unfavourable to multinational pharmaceutical companies. These have included price controls, generic competition, the lack of intellectual property protection and restrictions on 100 per cent foreign ownership. These have posed major problems to drugs companies in Asia Pacific and Latin America.

Furthermore, emerging markets have tended to have low healthcare spending compared with mature margross domestic product is spent on healthcare, compared with about 12 per cent

However, that is no longer

rates in some emerging markets outstrip those in developed ones.

Over the past five years, the European and North American markets' average annual growth rates have been 6 and 7 per cent respectively. Competition has become more intense, and some governments have introduced measures to control spending on drugs.

At the same time, the sheer size of some of the emerging markets and their potential for growth mean they can no longer be neglected.

Regions such as Latin America have grown at an estimated 15 per cent a year over the past five years. This is dramatic compared with mature economies. But, size influenced by competition and rate of growth are not, in themselves, attractive enough if the trading environment is hostile.

Now, however, the trading environment may be improving. Patent protection has been improved for World Trade Organisation members under the General Agreement on Tariffs and Trade (Gatt)/Trade Related Intellectual Property Rights (Trips). This makes their patent legislation comparable with developed countries standards by 2000/2006.

In addition, some counkets. In India, 1 per cent of tries, such as India, have liberalised equity controls and procedures to encourage competition and inward the region. investment in high tech

In spite of this, countries such an obstacle as growth such as India are perceived



the world, but this growth

will be largely driven by

increasing affluence among

some urban populations,

around 20m of the total Chi-

affluent section of the popu-

markets will be a key influ-

ence on how those markets

develop with annual growth

forecast in excess of 15 per

cent over the next five years.

A number of companies,

Indeed, demands from the

lations of most emerging solutions for the target dis-

among them Germany's ume products developed

Hoechst Marion Roussel, using older technologies.

nese population.

to be dragging their feet maceutical market could have recognised the potenwith early enactment of legbecome one of the largest in islation.

Not all markets are equally attractive. In Latin America, for example, economic reform may have curtailed the boom-bust cycles of many markets but significant variations exist within

The Mercosur trade pact, consisting of Brazil, Argentina, Paraguay and Uruguay, with free trade deals agreed with Chile and Bolivia, has served to encourage differential foreign investment and will further stimulate trade among member countries.

Similarly, China, with a population of more than 1.2bn and in excess of 65,000 hospitals, might appear to offer widespread opportunities for pharmaceutical companies. In reality, most companies will only be able to access small sections of this huge market. In the next century, the Chinese phar-

tend to be significantly is a prime example.

emerging markets may ing local businesses to the

Moreover.

demand in these markets

can be very different from

the more developed coun-

tries: the relative sales of

higher in emerging markets. Companies looking to

exploit opportunities in

therefore have to realign

This may be achieved by

aiming a proportion of R&D

spending to meet the specific

needs of these markets;

developing regional R&D

their product partfollos.

tial and established joint

ventures in China recently.

Some products which have

been developed primarily for

Western markets will not be

suitable for emerging territo-

ries because they cost too

In developed markets,

ease have tended to focus on

the delivery of high value/

innovative products. For

emerging markets, more

appropriate solutions might

include low priced/high vol-

acquire the appropriate port-

accountability for develop-

regions and the individual

operating companies. Gen-

the rapid introduction of new products. Emerging markets repre-

cal companies."

sent significant opportunities for multinational pharmaceutical companies but if they adopt a one-strategyfits-all approach the chances the dis- organisations: or through of failure are high. ease/product targets most in corporate or regional merg-

Smart companies will need to adopt regional and local ers and acquisition to strategies which balance risk and return without unnecessarily exposing the adoption of a regional manparent company. Such stratanti-infectives/antibiotics agement style and structure egies need to be developed The company is devolving and implemented in the long-term in the spirit of more responsibility and partnership with local governments, regulatory authorities, domestic suppliers and channels of distribution.

Jeff Devlin is a partner and eral managers are empowered and encouraged by the Paul Hemsley is a managing consultant in Ernst & centre to develop businesses Young's Global Life Sciences which better suit the needs

INVESTMENT BANKING • by Dan Bogler

Enjoying a sector in rude health

Banks envisage returns from specialist care for healthcare and pharmaceuticals

"Healthcare is hot," says Bob Bradway, head of Morgan "Stanley's healthcare group in Europe, "and the infra-red detector is still dominated by pharmaceuti-

Take a look at the numbers and it is bard to disagree. Even ignoring what might have been - the 2115bn merger between Glaxo Wellcome and Smith-Kline Reecham - there have been £64bn of takeovers and mergers in pharmaceuticals alone in the past three years. Add in the deals, flotations and financings in biotechnology, healthcare services and medical technology, and the number doubles.

In response, most investment banks worth their salt have set up or beefed up their presence in healthcare. Morgan Stanley, the clear leader in this sector, was also the first out of the starting blocks: it set up a separate healthcare department as early as 1983.

"By then it was clear that fundamental changes were sweeping the industry," says Mr Bradway, "such as the emergence of a public biotechnology sector in the US and the introduction of for-We wanted to create a group of bankers that would stay abreast of these issues and making gaskets." be able to talk to managements on strategic issues."

global healthcare group paying off handsomely. critical mass. numbers 50, including research analysts, and has advice and the big deals, advised on eight out of the managements turn time and 10 largest pharmaceutical again to half a dozen top

field to itself. Goldman even though many of the Sachs, which started its world's biggest drug compahealthcare team in 1968, has nies are actually European. expanded it twice since and, A good example is the crein June 1996, boosted it to atton of Novartis in 1996, the level of a free-standing where Morgan Stanley department - on a par with advised Sandoz and Ciba's the bank's financial institu- lead adviser was J.P. Mortions and utilities practices. gan, backed up by UBS.

Meanwhile, J.P. Morgan, stresses the importance of has built up a 60-strong creating well-rounded bank-group since 1991, covering ers, who can negotiate and pharmaceuticals, biotechnology and services such as hospital groups and health maintenance organisations.

Deal volume, however, has not been the only reason for ships. But Lazard's presence the creation of such large teams of specialists, Healthcare, unlike any other industry is not driven only by rapid change - like, say, computing - but also by the way it is governed - like

"This is a regulated industry," says David Deming, cohead of J.P. Morgan's global healthcare practice. "And you must understand that country by country, because that is what drives value."

M&A Advisers: healthcare Public deals more than \$100m Jan 93-Jul 97

Tracection	الأم خيمين
Morgan Stanley	199/
JP Morgan	65.
Goldman Sachs	82.
Mental Lynch	52.5
UBS	35.5
CSFB	33.2
Lehenan Brothers	27.5
Salomon Smith Barney	26.4
Lazard Houses	28.
ANG Baring	181
Specie: Securities (late Company).	Morgan Stories

On top of that, just keeping up with the science is a challenge. According to Mr Reimers: "There is probably a scientific event that is sigprofit healthcare providers. nificant to the industry occurring every day. That does not happen if you are

Lastly, of course, a look at the record (see table) shows When it comes to strategic names - led by the Ameri-But it no longer has the can bulge bracket firms, sourcing by big pharma to

healthcare department still exists, of course, such as setback for the companies, worldwide, leads a group of the generalists at the Lazard their advisers and the indus-50 bankers centred in New Houses or ING Barings. Mar- try as a whole. But the York, London and across cus Agius, vice-chairman of healthcare bankers will not Lazard Brothers in London, be short of work.

ers, who can negotiate and execute a deal irrespective of what industry is concerned. And that approach will continue to work where there are strong client relationin this sector is heavily based on the work it has done for Glaxo in the UK. And when Glaxo bid for Baring's main client Wellcome in 1995, the latter hired Morgan Stanley as well, while Goldman Sachs has quietly worked on a defence strategy for Zeneca, another UK drug company.

So what do the specialists predict for the future? Consolidation will continue. On that, everyone is agreed. Even Glaxo SmithKline would have had only 7 per cent of the world drug market. And, whereas the first round of mergers in the mid-1990s was driven by a need to secure global distribution networks, according to Mr Deming, the next wave will come as a result of fundamental changes in research technologies, which are raising the productivity but also the costs of R&D.

And most of those deals will continue to be in the form of friendly, all-share mergers inside a single market, According to Mr Reimers, launching a cash bid is just too expensive given the vast size of the big pharma companies, while stock deals are very difficult to pull off across borders.

Moreover, biotechnology and healthcare service companies are also under increasing pressure to com-Today, Morgan Stanley's that this sectoral approach is bine to cut costs and gain

But there are other trends as well. Mr Bradway points to the emergence of a European biotechnology sector and a rapid increase in outspecialists, such as Quintiles, a contract research organisation. As these sectors grow, they will require investment banking services, from help with going public to advice on strategy, acquisitions and alliances.

The failure of Glaxo and An alternative approach SmithKline to merge was a



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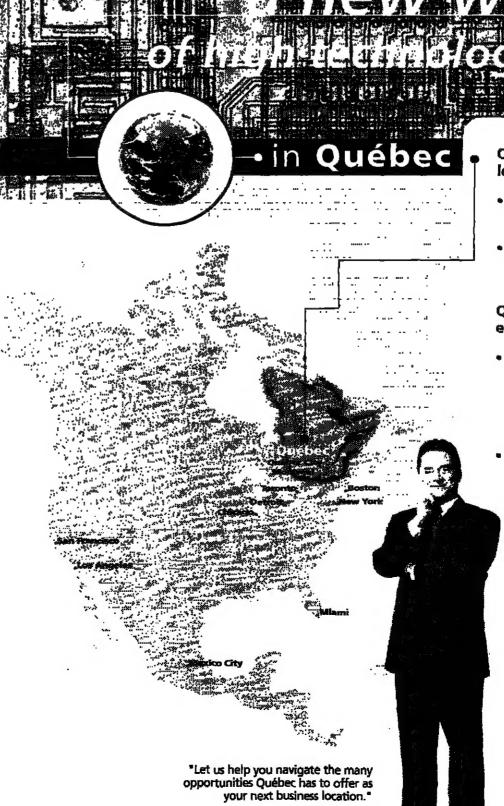
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Louis P. Granger

Director, Foreign Investment Service

JAPAN • by Martin Reeves

y stemming the bleeding

Japan is waking up to healthcare cost containment but remains an attractive market

Japan's pharmaceutical market is the second largest roughly 20 per cent of world demand. Until recently it has provided a favourable environment for Japanese and foreign players alike. However, changes in the healthcare system and the economy will make life more difficult for smaller companies and could trigger a wave of mergers and acquisi-

Healthcare cost containment has come to Japan,perhaps, last among all develing age population have oped economies. Until driven the health insurance were placed on either access to doctors and hospitals or the use of drugs.

The drug pricing and reimbursement system has had a profound impact on the Japanese market and the indus-

New drug prices are determined by comparison with existing drugs. The price was allowed to increase up to a threshold, with the differences in excess of this so-called "r zone" triggering biannual revisions in the official price.

This created a powerful incentive for over-prescription, with yakkasa (the difference between official and market prices) being an important source of income for doctors. Indeed, in 1996 yakkasa amounted to 1.2 trillion yen or, roughly, 5m yen for every doctor in Japan.

Compared with other large and established markets. prices have been both relatively high and also undifferentiated between highly innovative compounds and mere incremental improvements in the quality of a

As a result, Japan has been able to support a large population of relatively small pharmaceutical com panies, including around 100 which claim to be research-

steadily, Japanese manufacturers have been able to increase their profitability. Foreign companies have also done reasonably well. Compared with other sectors of the economy, pharmaceuticals has been relatively open and foreign companies have after the US, accounting for a 26 per cent share of the market directly and around 40 per cent if drugs licensed

> into account. The environment that has allowed this is changing in three ways; slower economic growth, a rapidly ageing population and the international harmonisation of technical regulations.

to local companies are taken

The fastest ageing population among developed countries and a declining workrecently, few restrictions system into deficit and have precipitated a belated but intense focus on cost con-

Some measures have already been introduced.

been increased to a uniform 20 per cent.

As in other countries, the government has focused on containing cost with the pharmaceutical industry as the main target. Price revisions are made annually and the "r zone" has been reduced from 15 per cent in being applied to long-listed drugs and a proposal to reduce these further to 5 per cent and 2 per cent respec-

tively applied in setting the prices of drugs which are judged not to be innovative. A "flat sum" was intro-

duced on a voluntary basis for elderly in-patient care, capping the total daily cost patient. More controversial has been the adjustment of prices of drugs which have significantly exceeded their sales forecasts or had usage extended beyond initial indications, such as

Of more concern, are two measures which are slated for introduction around 2000. One is the extension of the flat sum system to all chronic diseases, which is likely to result in markedly reduced consumption of nonessential drugs, lower mar-1992 to 10 per cent, with a ket prices and the substitusmaller zone of 8 per cent tion of lower-priced products, including generics.

The other is the introduc-

tion of reference pricing. broadly modelled on the German system in which drugs A discount is effectively are paid for by the govern-pplied in setting the prices ment at a single price for each medical application. This would also reduce consumption significantly by eliminating the economic incentive to overprescribe and depress the prices of leading brands.

Precedents in both Germany and Japan suggest that the impact will vary greatly, with companies focused on simple infusions or antibiotics, or those with

As the market has grown patients contribute to the Sankyo's high selling choles relatively undifferentiated teadily, Japanese manufaccost of their treatment) have terol-lowering agent Mevalo-products, being hit most

The second major driver of change is the international harmonisation of technical regulations. More stringent procedures for pharmaceuticals companies and clinical investigators for clinical traals were implemented in April. 1997.

Written informed consent pulsory for all clinical trials. This will mean higher costs, fewer participating sites. lower patient recruitment rates and longer development time scales. The imminent abolition of the regulation requiring that clinical trials be performed in Japan on Japanese subjects will open the possibility of using international trials data.

Japan seems vulnerable to these changes with only two companies, Takeda and Sankyo, in the top 20 companies globally and only two large companies. Yamanouchi and Fujisawa, with sales of more than 20 per cent

Sankvo. Fujisawa and Yamanouchi, have acquired small companies in Europe and in the US but they have been relatively unsuccessful in using them to boost their penetration of foreign mar-

While the new drug output of the Japanese industry has increased dramatically, such that it now accounts for from volunteers is now com- around one third of new compounds globally, the proportion of these which are therapentically novel is significantly lower than major competitor countries.

Analysis of the relationship between stock market, operational performance and scale in Japan shows that the minimum efficient scale in both R&D and sales is already somewhere near \$1bn sales, corresponding to the top 15 companies.

it is likely that the Japanese industry will see significant restructuring and consolidation in the next few years, including the possibility of large inward acquisi-

While the market environment may be deteriorating, Japan is still regarded by many foreign companies as a large and profitable market in which they remain underrepresented.

Significantly, 10 international companies have dissolved joint ventures with Japanese pharmaceutical companies since 1990, and have built their own sales and development organisa-

A number of changes are creating a more favourable environment.

First, anticipated environsome Japanese companies hard with some already showing significant deterioration in stock market and operational performance.

Second, asset prices have fallen with pharmaceutical shares some 25 per cent below 1989 levels. Third, the stable cross-

shareholdings between companies which have hitherto protected Japanese companies from acquisition have begun to unravel, as insurance companies and banks

Over dose: changes will reduce over-prescription

are forced to question the have already implemented low-dividend yields on these substantial investments and The number of wholesaladdress their own deterioraters is also extremely high at ing financial positions.

Fourth, a minority of industry leaders have begun to seriously consider alliances with international companies.

Finally, the feasibility of mental changes will hit drastic restructuring will increase if the current economic recession is prolonged. The collapse of Yamaichi Securities and recent salary reductions and restructuring of management boards by some banks

are already providing powerful precedents. There are several areas where costs will be cut. At 55,000, the number of medical representatives in Japanese pharmaceutical compa-

nies is high by international

restrictions on visits by

Act and the second

some 280, although this is declining fast through mergers and acquisitions. Japan will soon see the emergence of clear winners

and losers. Losers will include most wholesalers, many of the smaller Japanese pharma companies and foreign companies who fail to move decisively to build local critical mass. Winners will include lead-

ing foreign companies which have already attained critical mass, a few more which may attain it through bold M&A moves, large wholesalers which attain national coverage and rationalise logistical operations, and no more than a handful of the standards. Some hospitals larger Japanese companies.



Drug culture: future generations of Japanese will find prescription drugs more difficult to come by

FINANCIAL TIMES

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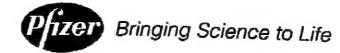
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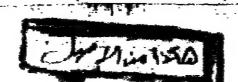
Pfizer Limited, at Sandwich in Kent, employs some 3500 people, most of whom are involved in the research, development and manufacture of medicines for the treatment of disease in humans and animals.











Unions improving productivity

Collaboration with new disciplines is expected to point the way forward.

Success in pharmaceuticals, more than in any other global industry, depends directly on science.

While high technology sec-tors, such as electronics and aerospace, are also sciencebased, other factors, such as manufacturing and product design, play a more impor-

In pharmaceuticals, a new chemical that offers significantly improved treatment for an important disease is on a rapid reversal in the bound to be commercially declining number of new successful, if its developer can demonstrate through clinical trials that it works safely and effectively.

Of course, it has to be made with proper quality control and marketed effectively but these issues tend to be more important for, say, computers than for

Not surprisingly, therefore, drug companies devote vast resources to research and development. Their R&D spending is, typically, 15 per cent of sales revenues.

The UK-based Centre for Medicines Research International (CMRI) estimates that the global pharmaceutical industry spent \$32.2bn on R&D in 1995 and \$35.4bn in

The rapid increase in R&D spending has not yet been reflected in the flow of drugs reaching the market. Figures from CMRI show that the number of new molecular entities - in other words, genuinely new drugs rather than reformulations of existing products - first launched in 1996 was the lowest for at least a decade (see chart).

buted mainly to a sharp fall Wellcome together before in activity by Japanese com- their merger in 1994.

CMRI data show an encouraging fall in the time taken to develop new drugs - evidence that the industry's efforts to speed up the R&D process are begining to pay off at last. The average development time from discovery to first marketing was 10.1 years in 1996, the lowest since 1980.

Looking ahead, the industry expects the trend to shorter development times to continue, as a combination of improved management and new technology improves R&D efficiency. At the same time, it is counting druge launched.

Large pharmaceutical companies, which have managed to launch drugs at an average rate of about one a year, are now promising two or three innovative products a year. Glaxo Wellcome of the UK put 18 new chemical entities into the first 'exploratory' stage of development in 1997, says James Niedel. R&D director, compared

At the same time as they On the other hand, the streamline their in-house R&D operations, large companies are extending their network of alliances with the biotechnology companies that could give them a decisive scientific edge in a particular field. And they are willing to pay handsomely for productive R&D collabo-

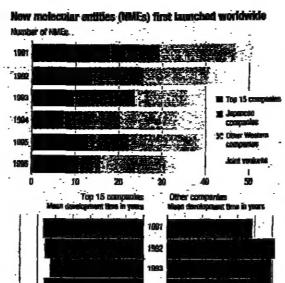
Earlier this month, for example, Glazo Wellcome signed a wide-ranging agreement in the field of DNA vaccines with PowderJect Pharmaceuticals, a UK bio technology company. The deal could bring PowderJect more than \$300m in licence, option and milestone payments over the next five to

And last month Roche of Switzerland announced an R&D agreement that could bring DeCode Genetics, Iceland's first biotech company, \$200m over five years. It is in human genomics, one of the hottest fields of research, in which scientists are discovering how genes work together to cause disease.

The contribution of biowith just six by Glazo and tech to pharmaceuticals is



The decline can be attri- Side effects: the industry is as dependent on R&D as ever



growing steadily. The perrised as biotechnology products has risen from about 5 per cent to 15 per cent dur-ing the 1990s. But Pfizer, one of the most successful US pharmaceutical groups, says that more than 90 per cent of early stage "discovery" research projects are based

on biotechnology. Four related technologies are having a huge impact on pharmaceutical R&D: Combinatorial chemistry

is the most exciting new chemical research technique of the 1990s. It miniaturises and automates chemical synthesis, creating a huge diversity of compounds by combining a fixed stock of Bio-informatics uses commolecular building blocks at random through a planned series of reactions. Gigantic chemical "libraries" can be created from promising compounds for screening for biological activity. Genomics studies the

to determine human development, health and sickness. a loosely co-ordinated international endeavour to work 80,000 human genes, is scratch over the past four expected to be finished by years.

2005. Scientists are already centage of new drugs catego- trying to relate individual gene mutations to the progress of disease and to tailor drug treatments accordingly - a process known as phar-

• High-throughput screen-

ing is a robotic technique for testing drug candidates (derived from combinatorial chemistry) for activity against biological targets (identified by genomics) as quickly as possible. The next generation of "ultra-highthroughput" screening systems, developed by companies such as Evotec of Germany, will be able to carry out 200,000 tests per day.

puters to make sense of the vast volumes of data pouring out of biomedical research. For example, the European Bio-informatics Institute in Cambridge is adding new DNA sequences (partial or whole genes) to its public way genes work together database at a rate of one per with environmental factors minute. Not surprisingly, specialists in bio-informatics are in extremely short sup-The Human Genome Project, ply - and very highly paid. Even so. SmithKline Beecham has managed to build out the structure and up a 70-strong bio-informatsequence of the estimated ics group almost from

Acquiring a taste

for looking good

is needed if the pharmaceutical industry is to make advances

As biotechnological research gathers greater understanding of nutrition and ageing. its discoveries are being used in the food and cosmetics industries. The results are called cosmeceuticals and nutraceuticals and represent one of the largest untapped markets for the fruits of medical research.

Pharmaceutical companies venturing into the areas of nutraceuticals or cosmeo ticals are entering an alien arena; exciting buzz-words that beckon potential players to jump on the band-wagon belie the fact that this is a different game from that which the traditional pharmaceutical companies are used to playing and not one which they are well

equipped to win. of faddishness about them, but neither is new. "Nutraceuticals" was first coined 10 years ago by Dr Stephen L De Felice, Chairman of the Foundation for Innovation in Medicine, with "cosmeceuticals" having a heritage which dates back to 1961, when it was defined by Raymond Reed, founding member of the Society of Cos-

metic Chamists. However, there is still confusion over the terms. A nutraceutical is defined by Dr De Felice as a food, or including the prevention or treatment of diseases, and includes only ingredients and products, the effects of which have been clinically

However, a sweeping sur-vey of any supermarket shelf would reveal products promoted as aiding "well-being"

medical claims and are not panies are looking to invigobacked by clinical studies, rate often saturated markets yet would generally be clas- with scientific propositions; sified in the category "nutra-

This lack of clarity is reflected in assessments of companies are looking for market size, which range in new applications for their value for nutraceuticals ethical expertise. from \$30bn world-wide by the year 2001 (Freedoma), to already being worth \$250bn ties that will be required to the start will be required to in the US alone (De Felice). But one thing that everyone does seem to agree on is the potential.

Nutraceuticals are set to grow faster than pharmaceuticals, with 8.3 per cent and 6.2 per cent annual growth respectively according to the report, Nutraceuticals to 2001, the Freedonia Group

(June 1, 1997). In the US, the cosmecoutical market is expected to grow at 15 per cent per annum - with the retail cosmeceutical segment outstripping over the counter and prescription cosmeceutical segments with 30 per cent, Both terms have the ring 9.5 per cent and 8 per cent annual growth respectively.

One clear driver for this growth - in both areas - is the onset of middle age among the health and youthconscious baby boomers: more than half the US population will fall into the 35-64 age bracket by 2000.

Add to this the increasing spending power of women, the greater awareness of medicine and its alternatives, the shift towards "natural is good", and the cost advantages in prevention over cure and there is a concomponents of food, which vincing case for an explosive provide health benefits, market in products which promote well-being, prevent disease and postpone the signs of ageing.

It looks like a logical step for pharmaceutical companies to be taking. However, they are not alone; the clear consumer pull is an invitation for myriad competitors to join the fray.

Consumer insight which do not make specific Food and cosmetics comentrepreneurial companies want to exploit a promising market; and pharmaceutical

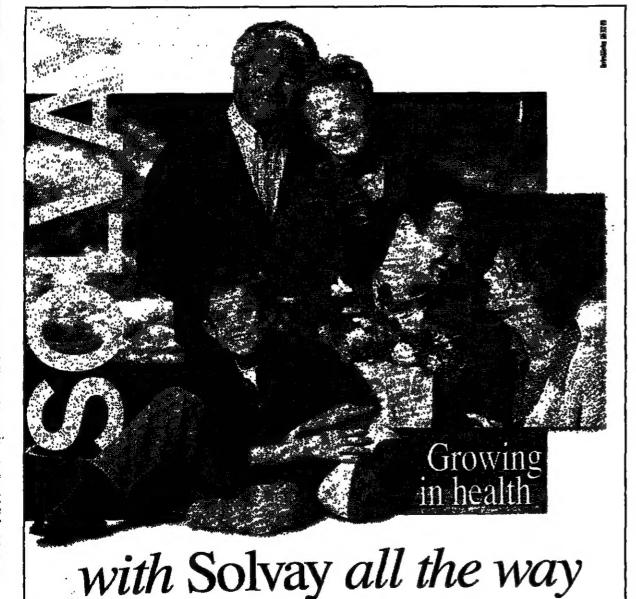
> But do pharmaceutical succeed in these areas? It is clear that success in either of these markets demands consumer insight. On this front, the pharmaceutical industry, which has based its success on medical insight, is a poor contender when squaring up against companies with a retail heritage. They also demand consumer-friendly presentations and pharmaceutical compa-nies still lack technical capability in this area. Tablets and capsules, for example, may be effective ways of delivering active substan to the body, but they're not exactly appetising, nor are they perceived as "natural" or "healthy".

> Importantly, pharmaceuti-cal companies also lag behind the major food and cosmetics players in their ability to market and distribute to consumers. This is key not only from a logistical and demand point of view, but also from a regulatory point of view.

Take cosmeceuticals. The FDA, for example, essentially takes the position that it is the claims being made for the products - whether through labelling or advertising - that determine its intended use and hence its legal status as either a cosmetic or a drug.

The regulatory restrictions are much more costly for products classified as drugs. The conservative, regulatorwary pharmaceutical companies have to compete against

Continued on Page 6



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a Passion for Progress

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According to the ancient Chinese philosophy of yin and yang, the universe is composed of opposing but interdependent forces. Interestingly, this philosophy resembles the concept of homeostasis, the natural balance that occurs within living organisms, including the harmony between antagonists and agonists that regulate vital functions. Thus, an important factor in the search for new medicines is developing compounds that work together with the body's own restorative and regenerative abilities; ■ To lead healthy lives, we must seek balance with nature, with society, and within ourselves. As a leading pharmaceutical company, Takeda is striving to help people attain this balance.

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US • by Nicholas Timmins

Preparing a new mixture

changed the face of the American health care system

Managed care, currently the American public's least loved element of the US unexpected effects on the country's pharmaceutical

industry.

A system of running health care in which health plan administrators and doctors attempt to ensure that only treatments of proven efficacy and cost effectiveness are offered to patients, managed care has spread far faster and far further in the US than anyone predicted. Now, at least 60 per cent of

Americans, and three-quarters of those covered by private employers, are under managed care, and the num-

The pharmaceutical industry was initially fearful, helieving the drive to switch patients to lower cost.

the time being, to have therefore overall costs up. capped what, until four years ago, had been the US' ever-escalating health care bill. By 1992, that had health care system, has had reached 13.6 per cent of the

> Since then, although expenditure has been rising. the share of GDP spent on health in America's booming

eral government figures, they rose 9.2 per cent. A sim- health". ilar, possibly larger increase, is thought to have taken the picture is that clear. Last place last year. Little of this, however, is

due to price rises. Most by their premiums squeezed by far is due to a greater volume of their premiums squeezed by ume of drugs being sold. Price competition has helped drive the spate of drug com-pany mergers, but the non, director of health eco-increasing use by pharma-nomics policy with Hoechst

Managed care has brand name products would ceutical companies of ecogins. that drugs are cost enective, and particularly new drugs are cost enective, that drugs are cost effective, mixed. Managed care does not yet out of patent, has indeed appear, at least for helped push volumes and

Raymond Gilmartin, chair-

man of Merck, argues that better management of disease through the appropriate use of pharmaceuticals is mixed and, in some ways, country's gross domestic helping cut costs - reducing product, easily the highest proportion of spending in the world.

hospital stays and expensive high-tech interventions, producing "better patient care and better health outcomes". Spending more on pharmaceuticals, or at least the right pharmaceuticals, is economy has remained a good investment he static.

Drug costs, however, have not in 1996, according to feding costs to managing

> Others are less sure that year few health maintenance organisations made a profit, capacity in the health care industry to strike hard bar-



American revolution: the industry has found it has less to fear than to gain from the move to managed care

(PBMs) who had entered the

managed care game by offer-

ing health planners a variety

of techniques for getting doc-

pharmaceuticals and to per-

Marion Roussel, says neither they nor the employers who purchase the services of health plans "are convinced that drug costs should be going up, certainly across the health care system".

For some products and diseases, the evidence that increased prescribing can improve health and lower costs is clear, he says but in many areas purchasers "are not yet fully convinced". The industry has to make a better case that increased pres-cribing pays. "For the aver-age managed care organisation, the connection is not clear. If you increase your drug budget, does it really mean that there are

and other costs?" It is still uncertain, he says, which way purchasers will jump this year, particularly amid signs that after years of squeeze health maintenance organisations are attempting to increase financial health. Pressure to further restrict formularies

savings in hospitalisation

- the drugs that doctors can prescribe - and to introduce higher charges on patients for drugs may result.

The picture is further com- higher proportion of the into the chain of 11 cancer pharmaceutical companies sales handled by Medco complicated by the move some of ing from Merck's product the big pharmaceutical companies have made into pharrange than in the past. The PBMs are also seen by macy benefit management. Since 1993, Merck, Smith-Kline Beecham and Eli Lilly between seeking rebates have all bought up pharfrom manufacturers for selling more of their drugs macy benefit managers

pharmaceutical costs to managed care organisations a tension which again tors to choose less expensive raises the question of whether higher prescribing suade the companies to is truly cost effective. As increasing competition

while promising control of

undercut on price. After attacking such an in the American health care approach, Merck in 1998 market is forcing greater bought up Medco, the most integration, both horizonaggressive of the PBMs, a tally and vertically, fewer move swiftly followed by larger firms in both the pur-SmithKline and Lilly. To chasing and delivery of date, however, only Merck health care are emerging. has shown a clear benefit

clinics run by Salick Health Care and last year took over full management of them causing critics to charge

interest over prescribing

when a company which is the second largest manufac-

turer of anti-cancer drugs

becomes directly involved in patient care. The full take-over followed a falling out between Zeneca and Dr Bernard Salick, the chain's founder, who is launching a new range of centres specialising in Aids

Dr Salick is in negotiation with a number of pharmaceutical companies over potential partnerships based on the argument that the No-one has followed economic data and informa-

can gain from direct involvement in patient care will provide increasingly critical market information on the some to face a conflict that there was a conflict of cost of treating particular

Worries that drug companies directly owning patient care facilities will lead to unprincipled pressure on doctors to prescribe that company's products can be addressed by having true "Chinese walls" between the two sides of such a business,

Whether that happens, the continued drive for efficiency and value is still likely to mean over the next decade "partnerships between the various members of the health care system that were unheard of before," Dr Gagnon predicts.

A taste for looking good

more sassy cosmetics companies which are comfortable in pushing the boundaries with what they claim and

telling the consumers what they want to hear. Another issue that pharmaceutical companies are finding it hard to come to terms with is that of patent protection or, rather; lack of it for much of both markets. Natural products, for example, cannot be petented, so companies have to look for

on prevention rather than ical community.

cure and prevention is distinctly harder to prove - and marketing will certainly therefore claim. There are still relatively few supple-ments, for example, which have been clinically demonstrated to prevent a condition, while the vast majority still only offer some promise This is not the game that

pharmaceutical companies know and are comfortable proprietary position, perhaps though innovative packaging or delivery systems. one of medical, not con-Added to this is the fact have been built on proving

focus driving this market is ting that efficacy to the med-

.Consumer insight and grow as more pharmaceutical companies gain OTC experience, but the big food and cosmetics firms have a lead measured in decades. A few companies, such as Johnson & Johnson, which straddle the health/consumer divide, are well placed to exploit the new develop-

ments; for most of the large

pharmaceutical organisa-

tions, however, nutraceuti-

cals and cosmeceuticals will

remain a niche interest. Victoria Ward is a senior consultant, Gemini Consulting, The Life Sciences Group, Cap Gemini Tel: 0171-340 3891

EUROPE • by Graham Bowley

Problems of parallels

Companies fear that cheap drugs will stand in the way of the single

The thorny problem of so-called "parallel" imports the best drugs, has emerged as one of the What the neg differences between European governments and pharmaceutical companies on the issue but the planned European single currency, which is due to be introduced in January next year, could complicate the debate.

Parallel trade in pharmaceuticals is a consequence of the European single market. In the true spirit of the single market, authorities in Brussels have been keen to support the free movement of drugs across the whole of

But this sits uncomfortably with government regulation of drugs prices which still exist in some nations, in countries such as Portugal and Spain, governments intervene in the market in order to keep prices down so they are affordable for

The consequence of this has been that private dealers have discovered a lucrative trade reselling these cheap goods bought in low-price regions to consumers in countries where markets are less regulated and prices are bigher, such as the UK.

And these traders have been backed by the European authorities: in a landmark ruling, the European Court of Justice judged more than a year ago that two British companies could resell Spanish medicines in the UK; the court decided that the principle of free movement of drugs took precedence over business fears that northern markets would be flooded by cheap medi-

On the face of it, this "par-allel" trade in cheap medicines would seem a boon to consumers in countries such as the UK, who would otherwise have to pay more for their medicines.

But the world's big pharplain that the cross-border trade in cheap drugs is actually, in the long-run, to the disadvantage of consumers. They argue that parallel trade stands in the way of a truly competitive single market and endangers crucial research and development. The drugs companies

argue that cheap imports

high-price countries, which is where they do most of stage plan: first, prices of again later this year to their research and development. They insist that withing the development of the counter, or self-med revisit this heated issue.

Other subjects affecting out healthy profit margins, they cannot afford expensive research and that patients

mately, they are deprived of last year appeared to mark pathetic ear among governments. Amid fears about declining competitiveness and falling research, European governments recognise an increasing need for action to bolster Europe's pharma-

ceuticals industry. The result was that in contrast to the heated and largely fruitless talks in 1996 which finished in gridlock, last year's negotiations ended with a framework solution being hammered out which appeared to find favour with both government and industry officials. According to the propos-

would be lifted in European markets in three stages. The proposed solution foresaw a three-stage lifting

of government drug price all prices would be set competitively. Companies hoped that this would eliminate the incentives for private traders to move pharmaceuticals across borders within the

According to the three- due to meet in Frankfurt allowed to be set competitively, then generic medicines and, finally, the price will suffer because, ulti- of patent-protected drugs would be freed.

The first step is the least What the negotiations in controversial since medicine most important issues facing Frankfurt at the end of last prices in Europe's big over the treatment of new EU the European pharmaceuti- year showed was that the the-counter drugs market members from eastern cals industry. Negotiations companies' worries have are, to a large degree, deter- Europe. The industry may in Frankfurt at the end of begun to find a more symmined competitively. Full argue that barriers to trade competition would, therefore, be relatively easy to introduce. There was also stage, affecting generic drugs, also looked within reach.

However, the third-stage, affecting patent-protected medicines, remains contro-versial because of the fear that the lack of competing products in this sector could ead to sharp price rises once prices are freed to move. Companies think that one

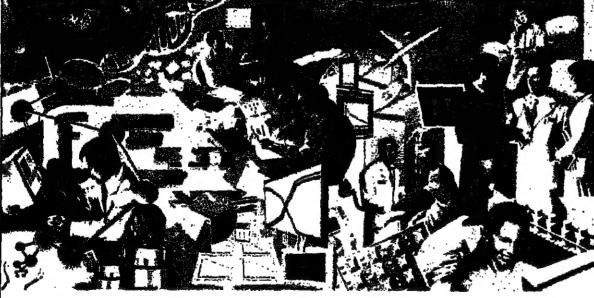
way out of this impasse would be to accept that price controls should remain in the case of patented goods but at the same time imposing a block on cross-border trade of the medicines. However, European officials and some industrialists doubt that such a move would be legal, again because it would go against the very fabric of the single market.

Representatives of the pharmaceuticals industry

drugs companies are also due to be on the agenda: they are to discuss electronic commerce, a growing trend which could make national regulations irrelevant; and they are likely to talk about should be erected until these nations have developed proper patent laws.

But perhaps the most important subject will be the European single currency, the euro. It is not yet clear what affect the euro will have on companies' pricing policies. By removing exchange rates between countries which participate in the monetary union the euro is expected by some to enhance the transparency of the European pharmaceuticals industry. This could add to competitive pressures. ferent prices in different countries

According to Cap Gemini, the consultancy: "The price visibility will increase, and the margin at which parallel reduced well below the currently accepted level of 20 per cent. Distributors working in just one country today and national government may decide to export tomor-and European officials are row."



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